

**deceuninck**

*Annual Report 2011*



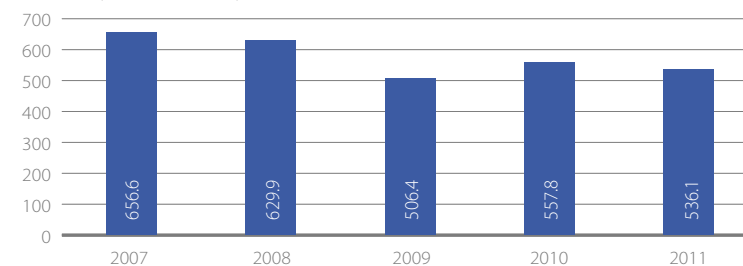
## KEY FIGURES

Key Figures (in millions of euro)	2010	2011	Variance %
<b>Consolidated income statement</b>			
Net sales	557.8	536.1	-3.9%
Gross Profit	163.7	155.0	-5.3%
REBITDA	57.7	49.4	-14.4%
EBITDA	57.3	48.3	-15.7%
EBIT	24.4	22.3	-8.6%
Net Profit (+) / Loss (-)	8.5	6.3	-25.9%
<b>Consolidated statement of financial position</b>			
Equity	212.0	205.9	-2.9%
Net Debt	100.7	101.8	1.1%
Total Assets	471.4	443.7	-5.9%
Capital expenditure	15.6	21.9	40.4%
Working Capital	111.1	119.2	7.3%
<b>Ratios</b>			
REBITDA on net sales	10.4%	9.2%	
EBIT on net sales	4.4%	4.2%	
Gearing (Net debt on Equity)	47.5%	49.4%	
ROCE	7.2%	6.7%	
<b>Headcount (FTEs (Full Time Equivalents) incl. temporary employees)</b>			
	2,821	2,735	

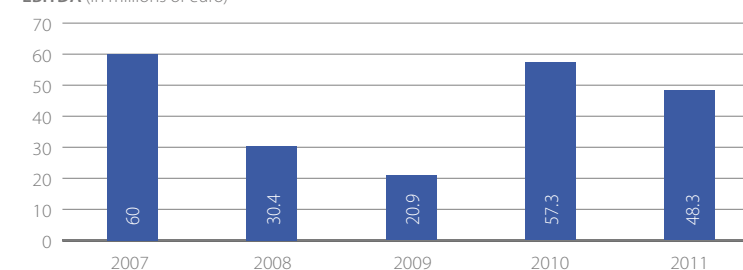
## KEY FIGURES PER SHARE

Key Figures per share	2010	2011
Number of shares as at 31 December	107,750,000	107,750,000
Market capitalisations as at 31 December (in millions of euro)	197.2	78.7
Earnings per share as at 31 December (in euro)	0.08	0.06
Book value per share (in euro)	1.97	1.91
Dividend per share (in euro)	N/A	N/A
Share price at year end (in euro)	1.83	0.73

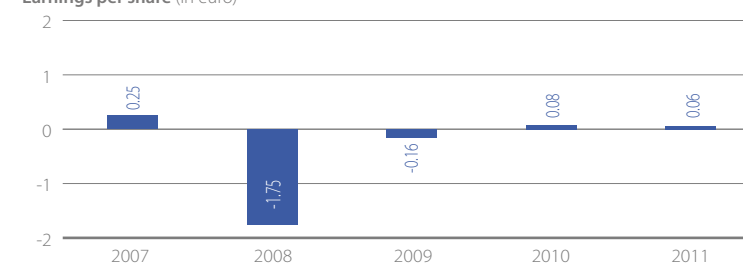
Net sales (in millions of euro)



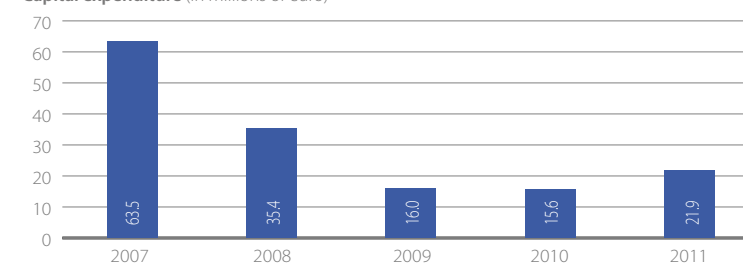
EBITDA (in millions of euro)



Earnings per share (in euro)



Capital expenditure (in millions of euro)



## COMPANY PROFILE

At Deceuninck, our commitment towards innovation, ecology and design provides us with a clear focus: building a sustainable home. A home that is more energy-efficient to live in and more attractive to look at. Deceuninck works worldwide with state of the art materials, resulting in low maintenance, top insulating and long lasting products that can be fully recycled at end of life. Moreover, our values of Candor, Top Performance and Entrepreneurship help us build a better world for our Partners and end users. Deceuninck has strong ambitions. We want to build a work environment in which people are proud to contribute, and strengthen our position within the top three market players. Alongside our ecological sustainability, Deceuninck also pursues financial sustainability.

The Group is active in over 75 countries, has 32 subsidiaries (production and/or sales) across Europe, North America and Asia and employs 2,735 FTEs (Full Time Equivalents) (including temporary employees) of which 650 are in Belgium.

The head office of the Group is located in Belgium.

The Deceuninck Group achieved sales of 536.1 million euro in 2011.

## DECEUNINCK 2011

Top 3 designer and manufacturer of PVC window systems and building products in Europe

9 PVC extrusion facilities

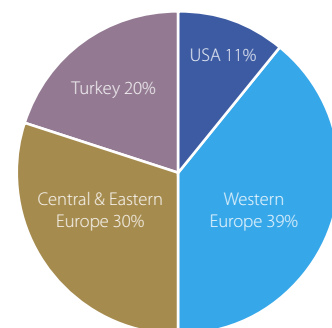
Sales activities in > 75 countries serving > 4,500 Customers worldwide

2,735 FTEs (Full Time Equivalents) (including temporary employees)

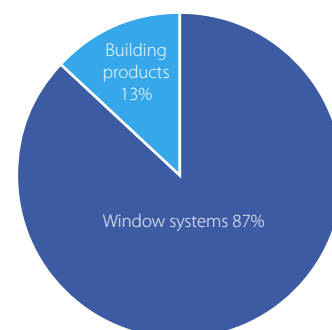
Sales 2011: 536.1 million euro

Strong focus on Innovation and Branding

Geographical sales split 2011



Product segmentation 2011



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## WHY? OUR CORE PURPOSE

At Deceuninck, we believe in “building a sustainable home”:

### *Innovation*

We are here to develop engineered materials in PVC and wood composites through our [science](#) and decades of know-how.

With these materials, we create [innovative solutions](#) for windows and doors, outdoor living, roofline and cladding, interior.

Our systems are easy to manufacture, easy to install, easy to maintain.

### *Ecology*

We are here to help you build a home that is more [energy-efficient](#) to live in. We create long lasting, low maintenance [building products](#) with top insulating properties. Our products are created with the lowest ecological footprint and can be [fully recycled](#) at end of life.

### *Design*

We are here to help you to express your own style, in the [architecture](#) and the beauty of your home. We are here to help you protect your home and your family from the elements.

We offer a unique [range of colours](#) and surface finishes. Next to its long lasting properties, our products have a [timeless design](#), resulting in a 50+-year life cycle.

### *A home for our people & Customers*

We are here to build a sustainable ‘home’ for [our people](#) and [our Customers](#).

We build long lasting relationships and intimacy based on our core values.

## HOW? OUR CORE VALUES

### Candor

- We tell the **whole truth**, we are open and frank.
- We tell it like it is.
- We give **straight-between-the-eyes feedback**, while respecting our counterpart.
- We act as one team.
- We honestly admit mistakes or bring bad news, whilst taking corrective and preventive measures.
- **We say what we mean and we mean what we say**: that is our authenticity.

### Top Performance

- Performance is measured by our community, our people, our Customers and our shareholders.
- We preserve our core purpose and values whilst striving for continuous improvement.
- **We say what we do and we do what we say**: that is our accountability and discipline.

- Top Performance means:
  - When confronted with a choice, we choose in the following order: **People** (Health and Safety), **Planet** (Environment and Ecological footprint), **Quality, Service, Profit** (Cost) – PPQSP
  - Profit is essential to build a sustainable business.
  - Performance 'happens in every work place' every day: in design, manufacturing, delivery, in front of the Customer; also after installation of the product in the home.

### Entrepreneurship

- We are **open to the world**, open to other ideas. We strive for innovation.
- Trust is given, we embrace taking calculated risks and initiatives.
- **We think like an owner**. We respect and reward our people for making decisions and taking ownership.

## WHAT? OUR AMBITION

### *Our Culture*

Our reputation is the result of our [culture](#): people are [proud to work at Deceuninck](#) and live the values of Candor, Top Performance and Entrepreneurship.

### *Sustainable building products*

Deceuninck creates [sustainable building products](#). PVC and Twinson are low maintenance materials, which save energy throughout a 50+ year lifecycle and will be recycled at end of life.

### *Top 3 market position*

Deceuninck has a voice in the market resulting in substantial market share (above 10 % of uPVC windows) and within [the top 3 market players](#). Deceuninck offers Top Performance in Quality and Service through trusted Customer partnerships.

### *Financial sustainability*

The Company is [sustainable financially](#). We translate our actions into financial goals (we say what we do), and we reach them (we do what we say).

## MESSAGE FROM THE CHAIRMAN AND THE CEO



*Tom Debusschere (CEO) and  
Pierre Alain De Smedt (Chairman)*

Dear shareholder,

"Since the successful 2009 restructuring, Deceuninck focused on innovation, margin protection and a sound financial situation.

After a 10% growth in 2010, consumer confidence showed a fundamental trend change as of mid-2011, which resulted in the 2011 3.9% sales decrease to 536.1 million euro. Residential renovation drives 70% of sales. The global market trend was in part countered by Deceuninck's improved competitive position and increased share in most markets.

In 2011 Deceuninck increased its capital expenditures by 40% to 21.9 million euro to deliver on the vision of "Building a Sustainable home". Newest generation window systems now replace badly insulating metal reinforcements with glassfibre, to achieve 30% better insulation values at up to 40% less weight.

In 2011, raw material costs increased by 15.5 million euro, this on top of a 20.4 million euro increase in 2010. Nevertheless, the Company supported its margins through sustained efficiency improvements, rigorous cost control and price increases.

The Company returned to profit the year after the restructuring, and sustained this in 2011, with a 9% EBITDA-margin (48.3 million euro), 4.2% EBIT-margin (22.3 million euro) and a net profit of 6.3 million euro.

Deceuninck continued to amortize its long term debt with a 5.6 million euro prepayment in January 2012. Since the capital increase of September 2009, the Company has reduced long term debt by 79.8 million euro.

These results confirm that the Company delivered on its commitments since the 2009 restructuring. We would like to extend a sincere word of thanks to all Deceuninck colleagues and Customers worldwide who made this performance possible."

## Outlook 2012

The impact of government austerity measures in most markets and the general economic environment remain uncertain.

Sales at the beginning of the year are stable, supported by a mild winter in January. Visibility is limited, due to Deceuninck's typical short order book and the seasonally slower construction activity during the winter months.

The PVC cost trend was reversed upward since January 2012. The increase seems to be sustained by increasing ethylene costs and multiple "forces majeures" declared by PVC suppliers. Additionally, titanium dioxide and other additive costs, continue to rise. If this trend continues, Deceuninck remains committed to passing on increased raw material cost to the market as soon as possible. Wage, energy and other increases are compensated by rigorous cost control and continued productivity improvement.

Therefore, the focus throughout 2012 continues to be on innovation, protecting margins and maintaining profitability.



## Outlook long term

Long term, energy-efficient construction and renovation will continue to grow as an engine of the construction industry. PVC windows and Twinson wood composite products are sustainable, low maintenance applications with a timeless design, which save energy throughout a 50+ year life cycle, and will be recycled at end of life.

Deceuninck believes in “building a sustainable home”: [Innovation, Ecology and Design](#).

[The greenest energy is the energy you do not consume](#). Latest generation windows offer excellent insulation, helping families to save over 50,000 litres of heating fuel during a 50+ year lifetime.<sup>1</sup>

In 2011, Deceuninck launched Zendow#neo using Linktrusion technology. Linktrusion links PVC with other composites to obtain the best insulation performance. The combination of glass fibre reinforced PVC profiles and thermal PVC reinforcements is a next step in bringing more energy efficient solutions to the market.

[The greenest raw material is the one that you do not consume](#). Deceuninck's latest window designs provide an improved energy performance at ever lower weight. They now meet passive house insulation requirements, at up to 40% less material consumption. This helps the users of Deceuninck's products to preserve natural resources.

Deceuninck will further develop its recycling activities to guarantee a closed loop for all the materials and products the Company introduces to the market: PVC, Twinson wood composite, as well as the newly launched glass fibre reinforced PVC can and will be recycled.”

For further information on our vision:  
[www.deceuninck.com/en/about-us.aspx](http://www.deceuninck.com/en/about-us.aspx)

Tom Debusschere  
CEO

Pierre Alain De Smedt  
Chairman

<sup>1</sup> Source: Inoutic energy savings calculation (see: <http://www.inoutic.de/en/tips-on-window-purchase/saving-energy/energy-saving-calculator/energiesparrechner.html>). Calculation base: replacement of 35m<sup>2</sup> single glazed windows. Results may vary in function of the region and PVC window system used to replace the single glazed window.

## PRODUCT OVERVIEW

### *Product policy driven by innovation, ecology and design – Building a sustainable home*

At Deceuninck, our commitment towards innovation, ecology and design provides us with a clear focus: [building a sustainable home](#).

Deceuninck is strong in [innovation](#). For decades, it has been at the forefront of new developments using PVC. With a strong focus on insulation, Deceuninck windows and doors offer the best thermal insulation values on the market. In times when every energy saving effort counts, the Inoutic 84mm profile system Eforte emerges as the most efficient 80mm+ system. Eforte is the first and only standard profile system that has achieved an IFT Passiv-Haus certificate. This demonstrates the R&D knowledge Deceuninck has in building a sustainable home.

Linktrusion is a unique, revolutionary technology. With the new Linktrusion technology, Deceuninck is not just introducing an alternative solution to galvanised steel reinforcement, but also ensuring that further significant improvements are made in terms of thermal benefits. However, Linktrusion is more than a single solution. It is a fusion of different solutions, a constantly evolving technology refining, balancing and combining the features and benefits of both new and traditional materials. All this with a single goal: to choose the particular solution that best matches the specific requirements.

The new range of doors and windows in which this unique Linktrusion technology is used for the first time is the Deceuninck Zendow#neo series. With Zendow#neo, standard galvanised reinforcements are no longer used in profiles. For the Zendow#neo standard solution, both the frame and the sash have thermal reinforcement. The core consists of a combination of foam

containing recycled uPVC and steel wire. With the Zendow#neo premium solution, on the one hand thermal reinforcement is used in the frame profile and, on the other, continuous glass fibre is used in the 6-chamber sash profile (82 mm). Highly optimised thermal performance is the immediate result. Both Zendow#neo solutions, standard and premium, are obviously 100% recyclable.

[Ecology](#) also plays a predominant role in Deceuninck's product policy. With PVC as a top insulating material, Deceuninck offers solutions that meet the ever increasing need for greater energy preservation. As a testimony to this fact, its product range is used extensively in low energy or passive houses. Genuine care for the environment is also demonstrated by Deceuninck's controlled loop approach to the entire product life cycle. At end of life, Deceuninck products can be completely recycled and reused for new profiles. Everything Deceuninck makes is 100% recyclable and Deceuninck has become the number 1 uPVC recycler in Benelux by the purchase of PVC recycling equipment of the Belgium based company Verpola in December 2011.

Finally, Deceuninck puts enormous effort into the [design](#) of its windows and doors, roofline and cladding systems, as well as its interior and outdoor living solutions. Renowned for its patented Decoroc coating system in Europe and the environmentally safe and colour retaining technology, SunShield, in America and Turkey, Deceuninck fully understands the added value that differentiation in design can bring. Its versatile wood composite material, Twinson, also offers countless design possibilities for the development of sustainable products with the natural look and feel of wood.



Roofline

Windows

Cladding

Louvre shutters

Doors

Roller shutters

Window boards

Sliding doors

Terrace

Wall & Ceiling covering

Windows & Doors

Outdoor Living

Roofline & Cladding

Interior

# Vast, global product range

## Window and door systems

### Windows for all styles

#### *Zendow: platform for Northwest and Southwest Europe*

Reconciling architecture with design elements, Deceuninck Zendow window and door systems offer the perfect solution for all building styles across Europe. In its standard configuration, Zendow features a 5-chamber system but the range also includes:

- Zendow#neo with Linktrusion technology, launched for the first time @ Batimat 2011;
- Zendow+: 6-chamber profiles for enhanced insulation;
- Zendow Autentica: combining style and quality;
- Zendow Flex/Royal: 5-chamber profile system characterised by a rounded and contemporary look.

Moreover, a unique selling point of Deceuninck Zendow is the ability to combine various versions with Deuctone colours and patented Decoroc coating, making it an extremely versatile profile system.

#### *Inoutic: brand and product portfolio for Central Europe*

Inoutic markets a broad range of innovative window systems that effortlessly link interior and exterior architectural structures:

- Arcade: 5-chamber, 71mm PVC profile suited for residential or commercial applications. Aimed at a limited budget - Arcade is a well-designed and well-engineered profile that boasts quality features and an excellent cost/benefit ratio;
- Prestige: 6-chamber, 76mm round profile. Prestige is a high-quality window profile that delivers an excellent balance between ecology, design and functionality and meets the high standard of today's modern building requirements;

- Eforte: 6-chamber, 84mm profile. Currently the best 80mm+ system on the market in terms of insulation values. For well-informed, demanding & future-oriented consumers. Eforte is a future oriented, top of the range profile that makes no compromise when it comes to ultra energy-efficient living.

#### *Turkey: Egepen Deceuninck and Winsa*

Via its Turkish Winsa range, Deceuninck markets a wide range of high-end window and door systems. The range includes:

- Dorado: 5-chamber, 70mm profile for windows and doors, providing excellent insulation under all climatic conditions;
- Safir: 5-chamber, 70mm oval-shaped profile for indoor and outdoor applications;
- Carina: 4-chamber, 60mm profile for wider windows and doors.

#### *Deceuninck North America*

Also in Turkey, Egepen Deceuninck sells many of the Group's brands (Zendow, Inoutic, Twinson, Everest Max) through a number of dealerships and a franchising store concept.

In the United States, Deceuninck markets its Energex window and door systems, featuring proprietary SunShield technology. This advanced technology guarantees colour retention as is fitting to Deceuninck's reputation as a colour expert and offers superior performance in all climatic conditions. In 2011, Deceuninck North America introduced Revolution Tilt and Turn, a window featuring a European-influence window design with North American features including integrated screen and structural glazing.

INNERGY is a rigid thermal reinforcement developed for the US market together with BayerMaterial Science LLC as part of an exclusive agreement between the two companies. The INNERGY is a thermal reinforcement which replaces the common, poorly insulating, aluminium reinforcement. It is a custom polyurethane composite system that offers superior thermal performance, which helps manufacturers achieve improved energy efficiency ratings.

### Complementary systems

In addition to the main window systems, Deceuninck offers a vast range of sliding systems. From the slimline Tecnocor system, the more robust but elegant Monorail, to the heavy duty Lift&Slide system, Deceuninck permits you to stay in touch with nature.

With a complete range of roller shutter and louvre shutter systems, Deceuninck also offers you privacy and protection from excessive light, heat, cold, wind and noise. The Protex roller shutter is probably the most comprehensive system in the industry, while the Storbox specifically focuses on the French market. As for louvre shutters, the Kiuzo range comprises both panel and welded frame shutters, matching any type of application with either closed, open or movable infills.

Of course, these complementary systems are available in Deceuninck's usual extensive range of colours and finishes.

## Outdoor living

### Terrace solutions

[Twinson](#), Deceuninck's innovative and 100% recyclable wood composite material, combines the best of both worlds: it has the look and feel of wood, combined with the low maintenance and longevity of PVC. This makes it the perfect material for outdoor decking solutions: *Terrace* is ideal for residential applications such as patios, garden paths, pond and pool edging, etc., while *Terrace+* is more appropriate for commercial applications such as restaurants, marinas or swimming pools.

Twinson is a revolutionary new material that offers unlimited possibilities. On-going development of Twinson has created numerous full-proof installation options. Calculation software, downloadable from [www.twinson.com](http://www.twinson.com), allows for mistake free installation.

In the meantime, Twinson has been awarded a number of certifications, including PEFC (Programme for the Endorsement of Forest Certification)

and the quality labels VHI (Verband der Deutschen Holzwerkstoffindustrie e. V.) (Germany) and LNE (Laboratoire National de métrologie et d'essais) (Belgium). These awards underline Deceuninck's environmental approach to sustainable product design.

### Fencing solutions

Deceuninck also offers excellent, low maintenance and long lasting PVC fencing solutions. In France, its [Grandparc](#) range offers Customers a multitude of colours and finishes. In the United States, [Kodiak](#) fencing features a superior colour-retaining thanks to the SunShield technology.

## Roofline & cladding

Manufactured in foam PVC, Deceuninck's range of roofline and cladding products offer low maintenance, long lasting solutions. Moreover, the same Deuctone colour range used in Deceuninck's window and door systems is available, contributing to a harmonious and homogeneous look. Whether Twinson in Europe or Kodiak in the States, Deceuninck's roofline and cladding range contributes to higher insulation values in homes or in office buildings.

O-Face, Deceuninck's Twinson-based roofline and cladding product, is gradually being replaced by [the Premium Flat Twinson cladding](#). Its tubular geometry makes the new cladding system exceptionally robust, while its integrated ventilation system contributes to a better insulated and ventilated façade wall, gable end or back wall. Furthermore, the Premium Flat Twinson cladding is made of Twinson, Deceuninck's unique 100% recyclable material with the PEFC certificate.

In the United States, [Kodiak](#) composite cladding elements confer superior strength, resistance and sustainability to any building that is finished with Kodiak siding.

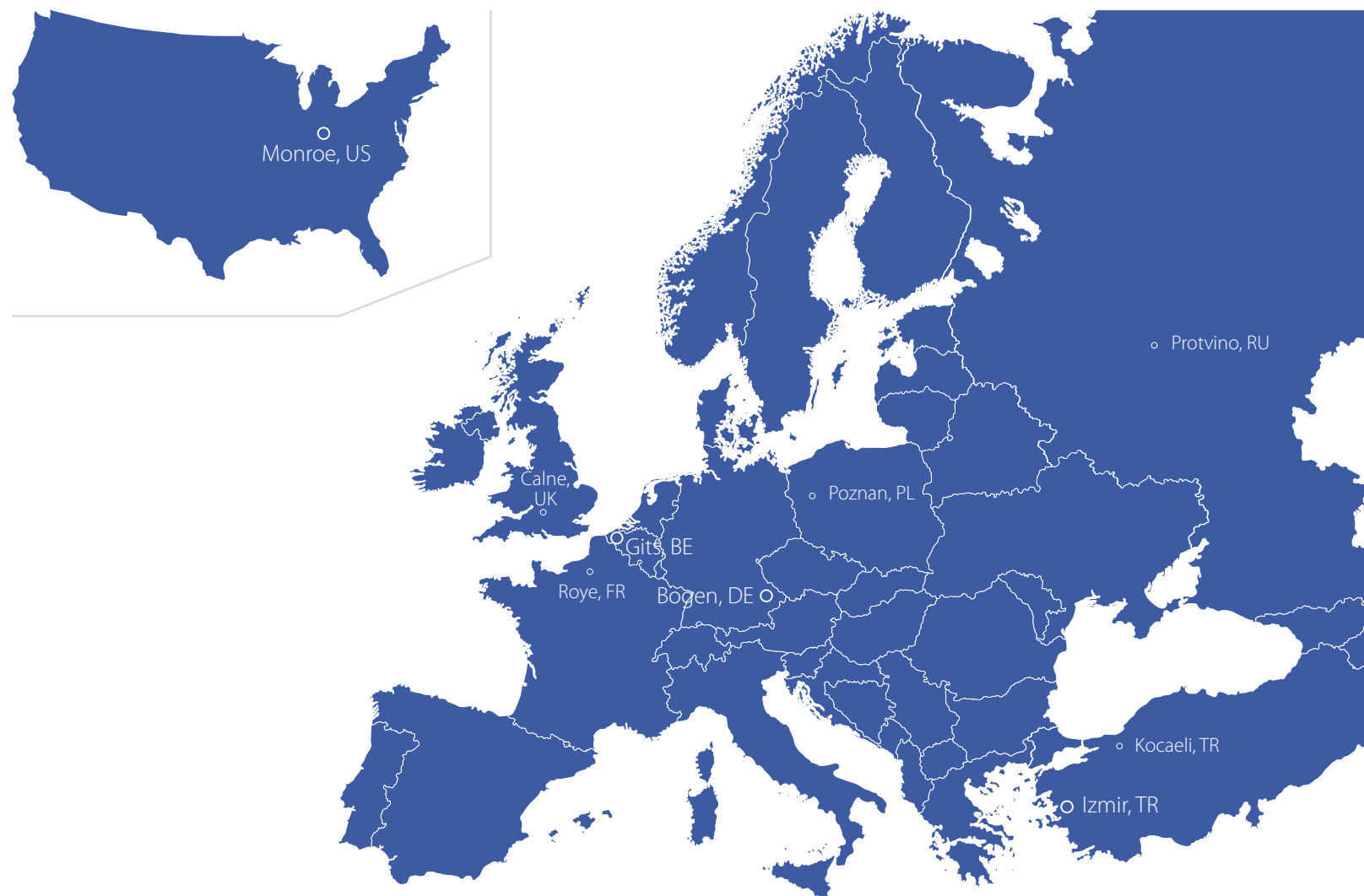
## Interior

For indoor applications, Deceuninck has a multitude of products on offer. A wide range of [PVC window boards, wall and ceiling covering products](#) available in both contemporary and more traditional style, as well as in a variety of colours and finishes.

## Sound walls

Deceuninck's close loop philosophy, combined with its commitment to innovation, has resulted in a series of new products that include not only Twinson, but also, for instance, [Cyclefoam](#). Made of fully recycled PVC and available in a wide colour range, Cyclefoam is used, for example, in sound walls along highways, airports or railways.

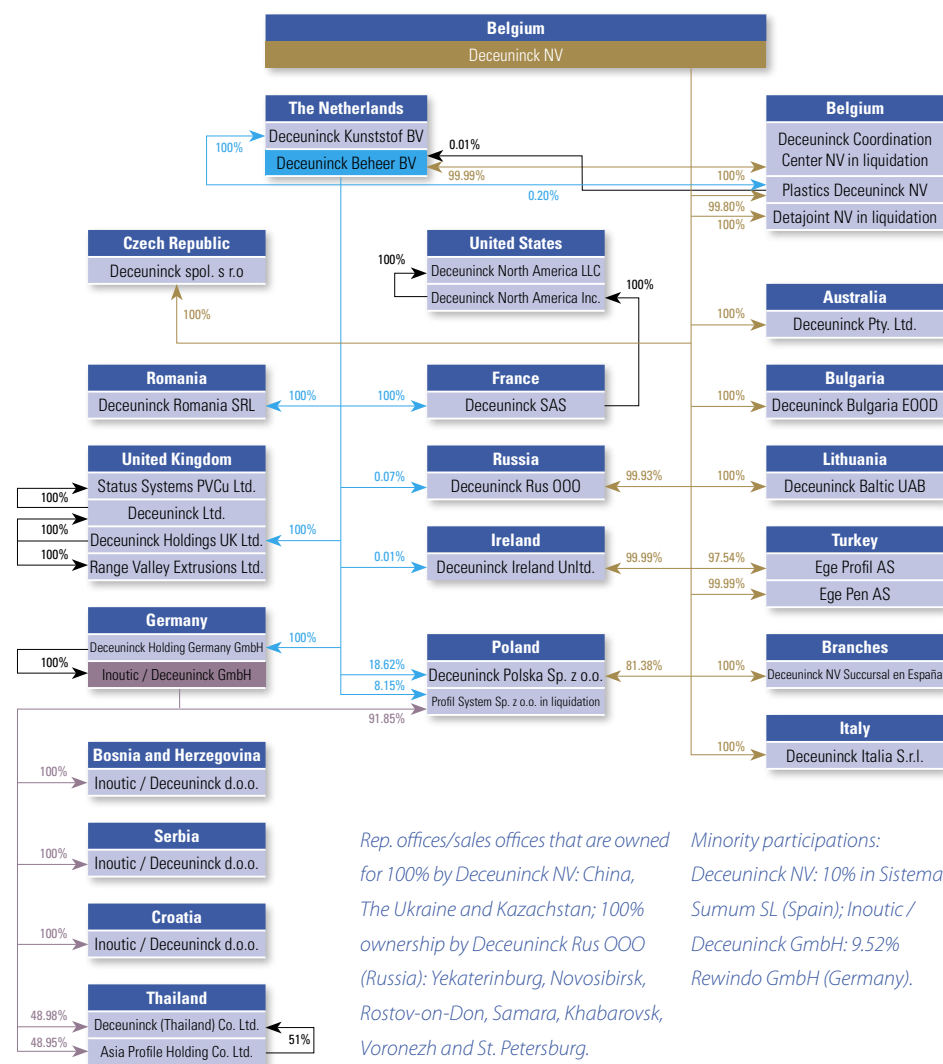
## DECEUNINCK WORLDWIDE EXTRUSION SITES





# DECEUNINCK GROUP STRUCTURE

(AS PER 30 MARCH 2012)

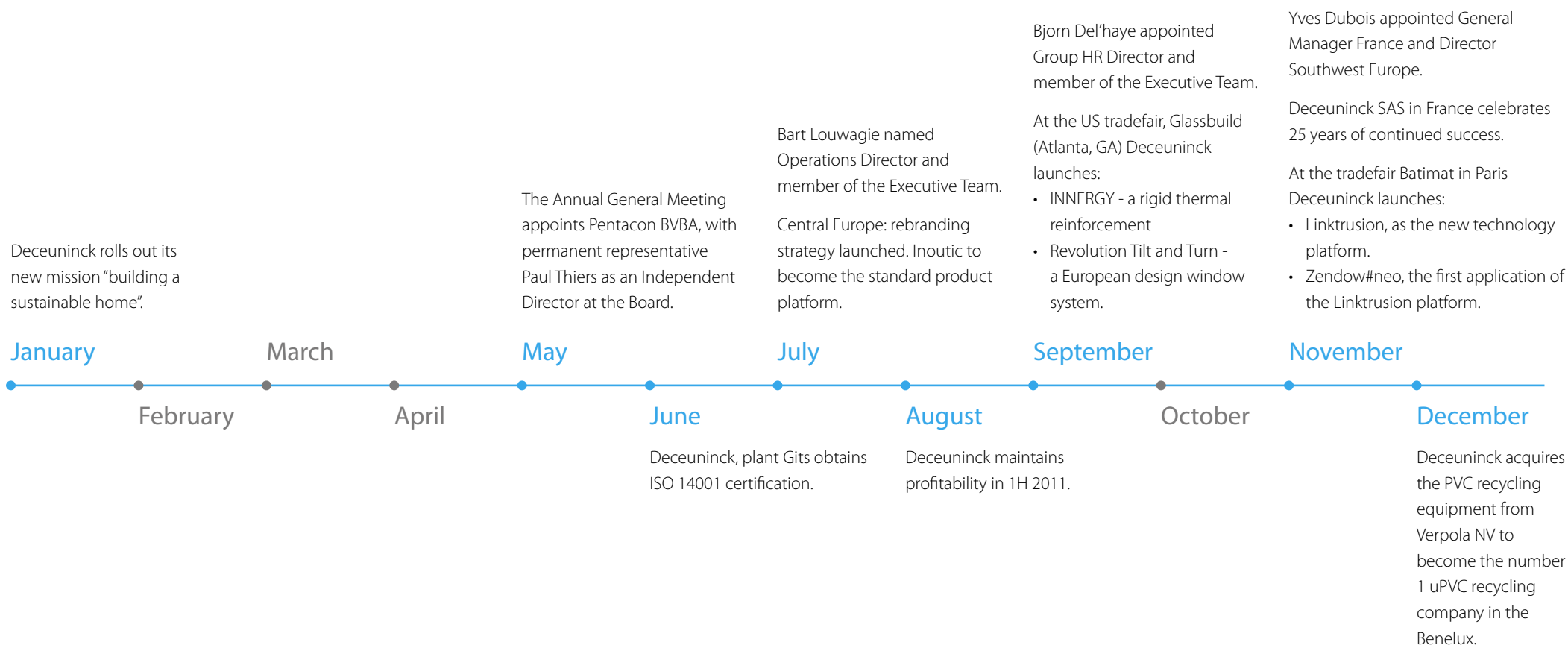


Rep. offices/sales offices that are owned for 100% by Deceuninck NV: China, The Ukraine and Kazakhstan; 100% ownership by Deceuninck Rus OOO (Russia): Yekaterinburg, Novosibirsk, Rostov-on-Don, Samara, Khabarovsk, Voronezh and St. Petersburg.

Minority participations: Deceuninck NV: 10% in Sistemas Sumum SL (Spain); Inoutic / Deceuninck GmbH: 9.52% Rewindo GmbH (Germany).



## HIGHLIGHTS OF 2011



## MANAGEMENT

(AS PER 30 MARCH 2012)

### Executive team

**Tom Debusschere**

*CEO*

**Ann Bataillie**

*General Counsel*

**Stephan Coester**

*Director Marketing*

**Bruno Deboutte**

*Director Central & Eastern Europe*

*General Manager Poland*

**Yves Dubois**

*Director Southwest Europe*

*General Manager France*

**Bjorn Del'haye**

*Director Human Resources*

**Bart Louwagie**

*Director Operations*

**Philippe Maeckelberghe**

*Chief Financial Officer*

**Michael Stöger**

*Director Technology*

**Bernard Vanderper**

*Director Northwest Europe*

*General Manager Benelux*

### Internal auditor

**Steven Powell**

*Internal Audit Manager*

### Statutory auditor

**Ernst & Young, Bedrijfsrevisoren BCVBA,**

*Represented by Jan De Luyck*

## Management team group

**Mirko Anesi**

*General Manager Spain & Italy*

**Bruno Bednarczyk**

*Operational Excellence Manager Group & corporate quality*

**Jo Casier**

*General Manager Plant Operations Gits*

**Bert Castel**

*Treasury Manager Group*

**Ergun Cicekci**

*Director Turkey*

**Lieven De Baets**

*Group Controller*

**Ludo Debever**

*Communications Manager Group*

**Peter Degrande**

*Business Development Manager - Fenestration*

**Geert Demeurisse**

*Research Manager Group*

**Edgar Freund**

*General Manager Germany*

**Filip Geeraert**

*Director United States of America*

**Volker Guth**

*General Manager Russia*

**Veerle Lacombe**

*Supply Chain Manager Group*

**Filip Levrau**

*IT Manager Group*

**Elena Marica**

*General Manager Romania*

**Marc Michels**

*Human Resources Manager Corporate Services*

**Roberto Scafile**

*Commercial Director Italy*

**Jon Skinner**

*General Manager United Kingdom*

**Radek Slabak**

*General Manager Czech Republic*

**Philippe Somers**

*Purchasing Manager Group*

*General Manager Compound*

**Michel Strypstein**

*Risk & Credit Manager Group*

**Piet Vandergunst**

*Business Development Manager – Building Products*

**Hugo Vanhoudt**

*Manufacturing Manager Group*

**Jan Vergauwe**

*Financial Analysis & Planning Manager*

## CORPORATE GOVERNANCE STATEMENT

### *Introduction*

Reference is made to the Belgian Corporate Governance Code 2009 (the 'Code') in accordance to the law on the reinforcement of corporate governance of 6 April 2010 in modification of the Belgian Code on Companies.

The Company uses the Code as a reference. The Board of Directors of the Company adapted its Corporate Governance Charter to the Code during the fiscal year 2010.

A copy of this Charter (the 'Charter') can be viewed on the Company's website ([www.deceuninck.com](http://www.deceuninck.com)) and is available, free of charge, at the registered office of the Company.

The Company's Board of Directors complies with the Code but believes that the following departure from its provisions is considered to be the best practice in its specific situation and based on the reasons explained for doing so.

### *Deviation from the Code and the explanation thereof*

#### **General Meetings and the shareholder's right to submit proposals (article 8.8 of the Code)**

Contrary to the Code's recommendations, the Charter does not allow shareholders holding shares representing at least 5% of the capital to submit proposals to the General Meeting. In accordance with the Belgian Code on Companies (article 532), shareholders who own more than 20% of the Company's shares are entitled to convene a General Meeting of Shareholders. Given the size of the Company, a smaller percentage is not appropriate.

# *The Board of Directors*

## Composition of the Board of Directors

The Board is composed of 8 Directors. One member is Executive Director ("CEO") and 3 members are "Independent Directors" within the meaning of, inter alia, Article 526ter of the Belgian Code on Companies. Four Directors represent reference shareholders.

The members are appointed by the General Meeting of Shareholders. Their initial term of office is a maximum of 4 years (based on the Company's Corporate Governance Charter) but can be renewed. The Remuneration and Nomination Committee presents one or more candidates, considering the needs of Deceuninck and in compliance with the nomination and selection criteria established by the Board of Directors. In the composition of the Board of Directors an appropriate balance is taken into account on gender, skills, experience and knowledge.

The age limit for Directors is set at 70 years at the time of the appointment. In principle, a Director's term ends at the closure of the Annual General Meeting, at which moment his or her mandate can be considered ended.

The Independent Directors meet the independence criteria specified in article 526ter of the Belgian Code on Companies and the Charter.

An Independent Director who ceases to comply with the independence requirements must inform the Board of Directors thereof immediately.

The Board of Directors meets at least 6 times a year or as often as considered necessary or desirable for the Board of Directors to function properly. Each Director receives the documents before the meeting so that the Directors can sufficiently prepare for the meeting. All meetings of the Board are attended by the Chief Financial Officer and the Secretary.

The Board of Directors met 8 times in 2011. At the meeting of 22 February, T.R.D. Comm VA, with permanent representative Willy Deceuninck and Sophie Malarme were excused. At the meeting of 12 July Sophie Malarme and Pentacon BVBA, with permanent representative Paul Thiers were excused.

Functions and membership of the Directors within the Board of Directors and its Committees:

Name/function	Membership Committees	Gender	Latest renewal mandate	Mandate expiry
Pierre Alain De Smedt* Chairman	Chairman of the Remuneration and Nomination Committee	M	12/05/2009	14/05/2013
Tom Debusschere Comm. V with permanent representative Tom Debusschere	/	M	/	14/05/2013
R.A.M. Comm. VA with permanent representative Arnold Deceuninck** Vice-Chairman	Member of the Remuneration and Nomination Committee	M	10/05/2011	12/05/2015
François Gillet** Vice-Chairman	Member of the Audit Committee and member of the Remuneration and Nomination Committee	M	11/05/2010	13/05/2014
T.R.D. Comm. VA with permanent representative Willy Deceuninck** Director	/	M	10/05/2011	12/05/2015
Sophie Malarne-Lecloux** Director	/	F	11/05/2010	13/05/2014
Marcel Klepfisch SARL with permanent representative Marcel Klepfisch* Director	Chairman of the Audit Committee and member of the Remuneration and Nomination Committee	M	/	13/05/2014
Pentacon BVBA with permanent representative Paul Thiers* Director	Member of the Audit Committee and member of the Remuneration and Nomination Committee	M	/	12/05/2015
HBM Consult BVBA with permanent representative Herwig Bamelis Director	/	M	08/05/2007	10/05/2011
Gerhard Rooze Director	/	M	08/05/2007	10/05/2011
Clement De Meersman Director	/	M	08/05/2007	10/05/2011
* Independent Director ** Representative of reference shareholder				
Secretary: Ann Bataillie, General Counsel				

## New mandate proposed to the Annual General Meeting

Sophie Malarne is taking on new responsibilities within Sofina and will be resigning as Director of the Company at the General Meeting of May 8, 2012. Based on the recommendations of the Remuneration and Nomination Committee it will be proposed at the Annual General Meeting of 2012 to nominate Giulia Van Waeyenberghe as Director for a period of 4 years. The mandate will expire with the closure of the Annual General Meeting of 2016.

## The curricula vitae of the members of the Board of Directors:

### Pierre Alain De Smedt (1944), Chairman of the Board of Directors



Pierre Alain De Smedt obtained a Master in Business and Administration at the Solvay Business School (ULB), a Commercial Engineer Diploma and a Master in Economic and Financial Sciences at the ULB. Pierre Alain De Smedt is currently the Chairman of VBO/FEB, Director of Belgacom NV, Recticel NV and Alcopa NV. As Non-Executive Director, he is member of various Strategic, Audit, Remuneration and Nomination Committees.

### Tom Debusschere (1967), permanent representative of Tom Debusschere Comm. V, CEO



Tom Debusschere is Civil Engineer in Electro-Mechanics with an additional postgraduate degree in 'Industrial Engineering'. He started his career in 1992 as Logistics Manager at Deceuninck. Starting in 1995, he worked for 9 years at the American division, Dayton Technologies, where he became Vice President Operations. In 2004, he moved to the Belgian Unilin Group as head of the division Unilin Decor, a supplier of furniture

components with a turnover of 100 million euro. He was appointed VP Marketing & Sales of Deceuninck on 1 December 2008. He was appointed CEO of Deceuninck by the Board of Directors on 6 February 2009.

### Arnold Deceuninck (1950), permanent representative of R.A.M. Comm. VA, Vice-Chairman



Arnold Deceuninck obtained a Bachelor in Accounting and Business Management. Arnold Deceuninck, the permanent representative of R.A.M. Comm. VA, is currently Director of R.A.M. Comm. VA, Binder NV, Deceuninck Auto's NV, Edero BVBA, Hunter & Colman NV and a Non-Executive Director of Didak Injection NV.

### François Gillet (1960), Vice-Chairman



François Gillet obtained a Master in Business and Administration at the Leuven Management School (IAG). François Gillet is currently member of the Executive Committee and is Chief Investment Officer of Sofina NV, a financial holding company. As representative of Sofina NV, François Gillet also holds functions as Non-Executive Director in various participations of Sofina NV and in Emakina Group NV.

### Willy Deceuninck (1944), permanent representative of T.R.D. Comm. VA



Willy Deceuninck obtained a diploma in Economics from the Franciscus Exaverius Instituut in Bruges. Willy Deceuninck, the permanent representative of T.R.D. Comm. VA, is currently Director of T.R.D. Comm. VA, Binder NV, De Palingbeek CV, Deceuninck Auto's NV, Edero BVBA, Holim NV and a Non-Executive Director of Hoedec NV and Heating Service NV.

**Sophie Malarme-Lecloux (1970)**



Sophie Malarme-Lecloux obtained a Master in Business and Administration at the Solvay Business School (ULB) in 1994. Sophie Malarme-Lecloux currently holds the function of Senior Investment Manager of Sofina NV, a financial holding company. Sophie Malarme-Lecloux, as representative of Sofina NV, performs functions such as Non-Executive Director in various participations of Sofina NV.

**Marcel Klepfisch (1951), permanent representative of Marcel Klepfisch SARL**



Marcel Klepfisch obtained a Diploma Commercial Engineer from the University of Antwerp. He has extensive experience in crisis management and was Chief Restructuring Officer at Deceuninck NV in 2009. He was Chief Executive Officer at Ilford Imaging, member of the Executive Committee at Vickers Plc, Chief Financial Officer of BTR Power Drives and Chairman of the Board of Directors of Pack2Pack. He is currently a member of the Management Advisory Board of Tower Brook in London and Chairman of the Board of Directors of Volution in the UK.

**Paul Thiers (1957)**



Paul Thiers is an alumnus of the Catholic University of Leuven, where he holds degrees in Master of Law (1980) and in Master in Notaryship (1981), as well as the Vlerick Management school, where he participated to PUB in 1982-1983. From 1982 till 2005 he was co-CEO and member of the Board of Directors of the Unilin Group. He is member of the Board of Directors of Pentahold NV, Altior CVBA, Accent NV, Vergokan and Origis NV.

**Giulia Van Waeyenberge (1982)<sup>2</sup>**



Giulia Van Waeyenberge obtained a Master in Electrical Engineering at the Catholic University of Leuven in 2005 and a Master in Applied Economics at the Singapore Management University in 2006. After working for several years in the investment bank Merrill Lynch in Singapore and in London, Giulia Van Waeyenberge currently holds the function of Investment Manager of Sofina NV. Giulia Van Waeyenberge, as a representative of Sofina NV, performs the function as Non-Executive Director.

<sup>2</sup> Subject to appointment on the Annual General Meeting of 8 May 2012.



## Role of the Board of Directors

The Board of Directors determines the Group's strategic objectives and may perform all activities necessary or useful to achieve the Company's corporate objective, with the exception of those activities that are expressly reserved by law or by the Company's articles of association for decision by the General Meeting of Shareholders. In carrying out its tasks, the Board of Directors acts in accordance with the interests of the Group.

The meetings of the Board of Directors are convened by the Chairman of the Board or by at least 2 Directors whenever the interests of the Company so require.

For an overview of the competences, tasks and functioning of the Board of Directors and the Committees of the Board please refer to chapter 2 of the Charter.

## Activity Report of the Board of Directors

During the past financial year the Board of Directors has dealt mainly with following topics: long-term strategy, monitoring innovation projects, approval of investment files, monitoring of the business plans of the various regions, financial reporting, adoption of the statutory and consolidated financial statements, preparation and approval of the statutory and consolidated annual report, issuance of a warrant plan and the special reporting in this context, monitoring of KPIs, convene the General Meeting and Extraordinary General Meetings. Furthermore, the Board also took note of the reports and proposed resolutions of the Audit Committee and the Remuneration and Nomination Committee and where necessary took decisions based on the recommendations of these committees.

## Evaluation of the functioning of the Board of Directors and Committees

The Board evaluates itself on a regular basis. In 2010, a thorough performance evaluation was conducted. Based on the results of this evaluation, concrete measures were taken. The results of these measures were applied to the functioning of the board meetings in 2011. Due to the new composition of the Board of Directors no evaluation took place in 2011.

## Committees of the Board

The Board of Directors currently has an Audit Committee and a Remuneration and Nomination Committee. The role of these Committees is purely advisory. The responsibility for ultimate decision making is with the Board of Directors. The role, duties and composition of these Committees are set out in the Company's articles of association and in the Charter.

### Audit Committee

All members of the Audit Committee are Non-Executive Directors. Two members of the Audit Committee are Independent Director as defined in article 526ter of the Belgian Code on Companies.

The Audit Committee is the most important link between the Board of Directors and the internal and statutory auditor.

The Audit Committee makes recommendations to the Board of Directors relating to the selection, appointment and reappointment of the statutory auditor and the terms of his or her appointment.

Since the Annual General Meeting of 2011, the Audit Committee is composed as follows:

- Marcel Klepfisch SARL, with permanent representative, Marcel Klepfisch, Chairman;
- François Gillet
- Pentacon BVBA, with permanent representative, Paul Thiers.

The Audit Committee met 4 times during 2011. At the meeting of 17 February 2011, T.R.D. Comm. VA, with permanent representative Willy Deceuninck was excused. Since the Annual General Meeting of 10 May 2011, T.R.D. Comm. VA is no longer a member of the Audit Committee.

In 2011, the Audit Committee has assisted the Board of Directors in the execution of its responsibilities in the broadest sense and has among others executed the following tasks:

- monitoring of audit activities, along with the systematic verification of signed missions by the auditor;
- assessing the reliability of financial information;
- supervising the internal audit system; and
- controlling of the accounts and monitoring the budget.

The Committee has assessed the internal control systems and the risk management, established by the Executive Team as proposed by the Risk Manager. The Committee ensures that the most important risks (including the risks relating to compliance with existing legislation and regulations) are correctly identified and that risk control systems are being implemented in the Group. The Committee further ensures that the Company's Board of Directors is kept informed on these matters.

### **Remuneration and Nomination Committee**

Since the Annual General Meeting of 2011 the Remuneration and Nomination Committee is composed as follows:

- Pierre Alain De Smedt, Chairman
- François Gillet
- R.A.M. Comm. VA, with permanent representative, Arnold Deceuninck
- Marcel Klepfisch SARL, with permanent representative, Marcel Klepfisch
- Pentacon BVBA, with permanent representative, Paul Thiers

The CEO participates in the meetings of the Remuneration and Nomination Committee when the meeting deals with the remuneration of the other members of the Executive Team.

The Committee met 3 times during 2011. At the meeting of 24 November, R.A.M. Comm. VA, with permanent representative, Arnold Deceuninck was excused.

The Committee has further assessed the remuneration policy of the members of the Executive Team last year. It has also made recommendations regarding the designation of a successor to the Director of Operations, a successor to the Director Southwest Europe and General Manager France and the appointment of a Director Human Resources.

### **The Executive Team**

The Executive Team is not an Executive Committee in the sense of article 524bis of the Belgian Code on Companies.

The task of the Executive Team is to assist the CEO in the daily management of the Group and carry out other responsibilities in accordance with the values, strategies, policies, plans and budgets established by the Board of Directors.

The Executive Team meets as often as necessary for the proper execution of its function, but always at least once every two weeks. Meetings are generally convened by the CEO, although any member may convene this Team. The Chairman of the Board of Directors may attend any meeting of the Executive Team.

A report is sent to the Chairman of the Board of Directors after each meeting.

The Executive Team currently consists of the following persons:

- Tom Debusschere Comm. V, CEO, Chairman of the Executive Team
- Ann Bataillie, General Counsel, Secretary of the Board of Directors
- Stephan Coester, Director Marketing
- Bruno Deboutte, Director Central & Eastern Europe, General Manager Poland
- Bjorn Del'haye, Director Human Resources
- Yves Dubois, Director Southwest Europe & General Manager France
- Bart Louwagie, Director Operations
- Philippe Maeckelberghe, Chief Financial Officer
- Michael Stöger, Director Technology
- Bernard Vanderper, Director Northwest Europe, General Manager Benelux

**Tom Debusschere (1967), permanent representative of Tom Debusschere Comm. V – CEO, Chairman Executive Team**



Tom Debusschere started his career in 1992 as Logistics Manager at Deceuninck. Starting in 1995, he worked for 9 years at the American division, Dayton Technologies, where he became Vice President Operations. In 2004, he moved to the Belgian Unilin Group as head of the division Unilin Decor. He was appointed VP Marketing & Sales of Deceuninck on 1 December 2008. He was appointed CEO of Deceuninck on 6 February 2009. Tom Debusschere obtained the Diploma Civil Engineer in Electro-Mechanics at the University of Gent (1990), as well as an additional postgraduate degree in 'Industrial Engineering' (Vlerick Management School Gent – 1992).

**Ann Bataillie (1959) - General Counsel, Secretary of the Board of Directors**



Ann Bataillie joined Deceuninck in February 2002. Before she joined Deceuninck, she worked during 15 years as senior legal counsel at Barco. Ann Bataillie obtained a Master of Law at the Catholic University of Leuven (1981) and completed her education with a Master in European Law at the University of Nancy, France (1982).

**Stephan Coester (1965) - Director Marketing**



Stephan Coester joined Deceuninck in 2005 as General Manager Germany. Previously he worked for 5 years with illbruck as head of the business unit Sealant Systems International. Stephan Coester started his career in 1989 with ICI, where he worked for 12 years and became Marketing Director Germany. He became Director Marketing in September 2009. Stephan Coester obtained the Diploma Economics at the University Applied Sciences of Düsseldorf Germany, of which one year was spent at the University of Tuscaloosa, USA (1989).

**Bruno Deboutte (1965) - Director Central & Eastern Europe, General Manager Poland**



Bruno Deboutte joined Deceuninck in September 1997. Until 2001 he was the export sales manager. From 2001 until 2006 he was Business Unit Manager Building Products. In 2006 he became Group Director of the business unit Building Products. In October 2009 he was appointed Director Central & Eastern Europe and in September 2011 he also took on the position of General Manager Poland. Bruno Deboutte obtained a Master Industrial Engineer Electricity, speciality automation, at KIRO in Gent (1990).

**Bjorn Del'haye (1972) - Director Human Resources**



Bjorn Del'haye started working for Deceuninck in September 2011. He can look back on extensive managerial experience in HR, both national and international, with companies such as Roularta Media Group and Cargill. Bjorn Del'haye obtained the Diploma Master in Communication Sciences at the Catholic University of Leuven (1994), as well as an additional postgraduate degree in 'Human Resources Management' at the University Antwerp Management School in 2000.

**Yves Dubois (1961) - Director Southwest Europe & General Manager France**



Yves Dubois joined Deceuninck in September 2011. He started his career with Atochem (Group Elf) in 1987, where he held several positions of Business Manager and Managing Director of subsidiaries in Asia. Until August 2011, he was Director of the Alphacan Profile Business Unit. Yves Dubois obtained a Master of Economics and International Affairs (1986) and is currently Chairman of the French plastics extrusion trade association S.N.E.P. (Syndicat National de l'Extrusion Plastique).

***Bart Louwagie (1969) - Director Operations***



Bart Louwagie started at Deceuninck in 2007 as Quality Assurance Manager. He became Operations Manager Finishing in 2009. Until 2011, he was General Manager of the plant Gits. As of October 2011 he holds his current function of Director Operations. Before Deceuninck he worked most of his career at Tupperware, both in Belgium and in the United States. Bart Louwagie obtained a Master Industrial Engineer Chemistry, speciality plastic materials, at Hogeschool Gent (1993) as well as a Master of Science in Engineering, Composite Materials at the Imperial College, University of London (1994).

***Philippe Maeckelberghe (1960) - Chief Financial Officer***



Philippe Maeckelberghe became Chief Financial Officer of Deceuninck in June 2008. Previously he held various financial positions at Cisco, Scientific-Atlanta, BarcoNet and Barco. Philippe Maeckelberghe obtained a Master in Applied Economic Sciences at the University of Antwerp (1982), a Master of Business Administration at the Catholic University of Leuven (1983) and a Master in Controllershship – Chartered Controller BIMAC at the Vlerick Leuven-Gent Management School (1999).

***Michael Stöger (1963) – Director Technology***



Michael Stöger started his career with Thyssen Polymer in 1993 as an assistant of the Quality Manager. He has worked for Deceuninck since 2003 and became responsible, as a member of the local management team, for Quality, Maintenance and Purchasing. He is Director Technology since October 2009. Michael Stöger obtained the Diploma Electrical Engineering (1989) and a Doctorate in Processing of plastic materials in Aachen, Germany (1993). Besides his current function in the Deceuninck Executive Team for Technology, Michael Stöger is also Chairman of the German Rewindo-Recycling-Service GmbH and President of the Gütegemeinschaft Kunststoff-Fensterprofilsysteme in Bonn.

***Bernard Vanderper (1962) - Director Northwest Europe, General Manager Benelux***



Bernard Vanderper joined Deceuninck in 1989. Until 1997, he was the Sales Manager of Benelux. From 1998 he has been the General Manager Benelux. In October 2009 he also became Director Northwest Europe. Bernard Vanderper obtained a Master Applied Economic Sciences at the University of Antwerp (1984).

## Remuneration Report

### Remuneration policy and specification of the level of remuneration for Non-Executive Directors

The General Meeting of the Company fixes the remuneration of Non-Executive Directors following the proposal of the Board of Directors which is based on the recommendations of the Remuneration and Nomination Committee.

Non-Executive Directors receive a fixed amount as remuneration for the execution of their mandate and a fixed amount for each Board meeting attended, limited to a maximum amount. Performance-based remuneration such as bonuses, stock-related incentive programs and fringe benefits are excluded. The Chairman, the Vice-Chairman and the other Non-Executive Directors all receive different amounts of remuneration.

If the Non-Executive Directors are also members of a Committee, their remuneration will be increased by a fixed amount per meeting of the particular Committee.

The Company and its subsidiaries shall not issue any personal loans, guarantees, etc. to the members of the Board of Directors or the Executive Team.

If Directors are assigned special tasks and projects, they may receive an appropriate remuneration for this. No termination compensation is provided for Non-Executive Directors.

In line with the overall remuneration strategy of the Company, the Remuneration and Nomination Committee regularly establishes a benchmark for the remuneration of Non-Executive Directors with comparable Belgian listed companies. This is done in order to ensure that the remuneration is still appropriate, and in conformity with market practices, taking into account the size of the Company, its financial situation, its position within the Belgian economic environment, and the responsibilities that the Directors bear.

### Remuneration of the Board of Directors in 2011

The total remuneration paid to the members of the Board of Directors in the financial year 2011 amounted to 365,500 euro (720,000 euro in 2010). This amount includes additional remuneration granted to Directors for their membership of Committees. This remuneration is awarded by the General Shareholders' Meeting and is registered as a general cost. In 2011, the Company or any affiliated Company of the Group did not grant any loans to any of the Directors, nor are there any outstanding repayments owed by the Directors to the Company or any affiliated Company of the Group. The remuneration for the Board members François Gillet and Sophie Malarne-Lecloux has been paid to their employer, Sofina NV.

### Remuneration of the Board of Directors in 2012

The remuneration for 2012, as recommended by the Remuneration and Nomination Committee, is composed of:

In euro	Min/year (fix)	Allowance per Board of Directors	Allowance per Committee	Max/year
Chairman	40,000	3,000	1,000	80,000
Vice-Chairman	30,000	1,500	1,000	60,000
Director	20,000	1,500	1,000	40,000

## Remuneration Non-Executive Directors

Name	Attendances of the Board of Directors	Attendances of the Remuneration and Nomination Committee	Attendances of the Audit Committee	Total remuneration (in euro)
Pierre Alain De Smedt	8/8	3/3	2/2	69,000
R.A.M. Comm. VA with permanent representative Arnold Deceuninck	8/8	2/3	-/-	44,000
François Gillet	8/8	3/3	2/2	47,000
T.R.D. Comm. VA with permanent representative Willy Deceuninck	7/8	-/-	1/2	31,500
Sophie Malarme-Lecloux	6/8	-/-	-/-	29,000
Marcel Klepfisch SARL with permanent representative Marcel Klepfisch	8/8	2/2	4/4	38,000
Pentacon BVBA with permanent representative Paul Thiers*	4/5	2/2	2/2	30,000
HBM Consult BVBA with permanent representative Herwig Bamelis**	3/3	1/1	-/-	25,500
Gerhard Rooze**	3/3	-/-	2/2	26,500
Clement De Meersman**	2/3	-/-	2/2	25,000

\* Director as of 10 May 2011, observing Director as of 22 February 2011

\*\* Director until 10 May 2011

## Remuneration policy and specification of the remuneration level for the CEO and the members of the Executive Team

The remuneration of the members of the Executive Team, including the CEO, shall be determined by the Board of Directors based on the recommendations of the Remuneration and Nomination Committee. The aim of the general remuneration policy of the Group is to attract, retain and motivate competent and professional employees. For this reason, the amount of the remuneration shall be determined in proportion to the individual tasks and responsibilities. The Remuneration and Nomination Committee annually reviews and fixes the total compensation based on

the strategic positioning of each of the functions versus the benchmark in the market and the expected market trends. Every two year a thorough benchmark shall be conducted with comparable international companies of similar size and structure. The contribution made by members of the Executive Team to the development of the activities and the results of the Group constitutes an important part of the remuneration policy.

The total remuneration of the Executive Team members comprises the following elements: the fixed remuneration, the short term variable remuneration, options and/or warrants and the savings and precautionary plan.

The **fixed remuneration** of the members of the Executive Team shall be determined according to their individual responsibilities and skills. It shall be awarded independently of any result.

**Short-term variable remuneration:** In order to align the interests of the Company and its shareholders with the interests of Executive Team members, part of the remuneration package shall be linked to Company performance and another part to individual performance. By weighing both factors against each other in a responsible manner (85% corporate results/15% individual results) a balance can be achieved between a result-oriented approach (Top Performance) and the manner in which these results are obtained (taking into account the core values: Candor, Top Performance and Entrepreneurship). If the manner in which results were obtained is not totally in line with the core values, the Remuneration and Nomination Committee reserves the right to decide not to pay any bonus. The CEO's variable remuneration for the last financial year, was linked only to the performance of the Company. For 2012, the same variable remuneration philosophy shall be applied as for other members of the Executive Team, and therefore 15% of the bonus shall be linked to the manner in which the results were obtained.

For the members of the Executive Team, the performance of the Company is based on the net result and the REBITDA of the financial year. The Board of Directors reviews these criteria annually on the proposal of the Remuneration and Nomination Committee, and may revise them if necessary. For 2011, the evaluation criteria for the performance were: net profit (15%) and REBITDA (70%). For members of the Executive Team who bear an ultimate responsibility at a regional level, the REBITDA of the Group (15%) and the REBITDA of the region (70%) are taken into account to consider the Company performance. For the CEO, the EBT (50%) and the REBITDA (50%) of the last financial year were taken into account.

The individual performance is based on a clearly defined evaluation system that is built around the achievement of specific measurable individual targets, the realisation of important key figures and conformity with core values that are important to the Company. All the targets must always be in line with the group strategy, the business plan, the core values and

the guidelines. The individual targets are set annually during individual interviews at the start of the financial year.

The Remuneration and Nomination Committee evaluated the achievement of the targets for 2011 by the members of the Executive Team and recommended to the Board of Directors a short-term variable compensation of 485,257 euro based on performance criteria for 2011.

The variable remuneration based on performance criteria for 2010, paid in February 2011, amounted to 598,099 euro for the members of the Executive Team.

The **short-term variable remuneration** is in principle 30% of the fixed annual remuneration for the members of the Executive Team and 75% of the annual fixed remuneration of the CEO. This percentage may be exceeded but should never exceed 37.65% (for the members of the Executive Team) or 97.5% (for the CEO). The variable compensation related to the performance of the Company shall only be awarded if 80% or more of the projected financial targets are achieved.

The variable remuneration is not spread over time. For the financial year 2011, the General Meeting of the Company of 2011 decided to deviate from article 520(c)(2) of the Company Code in respect to the CEO and the other members of the Executive Team, and therefore not to spread the payment of the variable compensation over time. The Extraordinary General Meeting of the Company of 16<sup>th</sup> December 2011 decided that the Company is not bound by the limitations of the rules of article 520(c)(2) of the Company Code concerning the spreading of the variable remuneration of the Directors, the CEO and members of the Executive Team, over time.

The possible pension and insurance contributions are related to the fixed remuneration and in conformity with the group contracts applicable to the members of the Executive Team in the specific countries.

The Company also offers options and/or warrants on shares of the Company. The purpose of this kind of remuneration is to motivate and retain employees who (can) have a significant impact on the Company results in



the medium-term. When granting options and/or warrants, due account is taken of the strategic impact of the function that the employee performs and his/her future (growth) potential.

The underlying philosophy of this form of remuneration is to raise Deceuninck's value to the maximum extent in the long term, by linking the interests of the management to those of shareholders, and to strengthen the long-term vision of the management. In this context, the exercise period of an option and warrant is 10 years, starting from the date of the offer. The stock options and warrants can only be exercised the 3<sup>rd</sup> year following the year in which the options and warrants were awarded. If they are not exercised at the end of the exercise period, they are, ipso facto, reduced to zero, and lose all value.

The warrants are released for exercise as follows:

- 1/3<sup>rd</sup> is released for exercise after 3 full calendar years up to the end of the term;
- 1/3<sup>rd</sup> is released for exercise after 4 years up to the end of the term;
- 1/3<sup>rd</sup> is released for exercise after 5 years up to the end of the term;

In the event of voluntary or involuntary dismissal (except in case of termination of contract for cause) by a beneficiary, the accepted and acquired stock options/warrants can still be exercised during the first exercise period following the date of the termination of contract. The options/warrants that are not acquired shall be cancelled. In the event of involuntary dismissal by a beneficiary, the unexercised, accepted stock options and warrants are cancelled, whether or not they were acquired. These terms and conditions relating to the acquisition and exercise of options and warrants in the event of voluntary or involuntary dismissal can be applied without prejudice to the competence of the Board of Directors to make changes to these stipulations to the advantage of the beneficiary, based on objective and relevant criteria. If the employment agreement ends because of the legal retirement or the end of the career, the warrants shall remain exercisable at the time.

The shares that may be acquired in connection with the exercise of the options/warrants are listed on Euronext Brussels; they are of the same type and have the same rights as the existing ordinary Deceuninck shares on the date of the offer. The members of the Executive Team have no other remuneration linked to shares.

The [savings and precautionary plan](#) is intended on the one hand to limit the difference between income sources before and after retirement and on the other hand, to limit unexpected payments for healthcare. In this regard, the members of the Executive Team participate in a 'defined contribution' group insurance with the company AXA. The objects of the group insurance are as follows:

- the payment of a life endowment in favour of the insured person on the date of his retirement;
- the payment of a death benefit in case of death of the member prior to retirement, for the benefit of its beneficiaries (plus an additional benefit in case of accidental death);
- the payment of a disability annuity in case of accident or sickness (other than occupational), and;
- the exemption from insurance premiums in case of illness or accident.

The supplementary pensions are financed by contributions from Deceuninck and from members of the Executive Team itself, subject to a ratio of 80%/20%. The group insurance has been achieved by taking out various policies with AXA Belgium:

- The pension plan provides for a retirement accumulation with pay-out at 60 years on the one hand, and for life insurance on the other. In this regard, the members of the Executive Team have the choice of determining their death benefits as a percentage of the expected pension pay-out subject to a minimum of 40% and a maximum of 100% of this amount;
- Coverage, in case of occupational disability, for waiver of premium and disability annuity;
- Collective health insurance.

### Remuneration for the next two financial years

The remuneration policy shall continue in its current form except for the short-term variable remuneration of the members of the Executive Team. In order to realize the coming years a positive return in invested capital, the Board of Directors, on the recommendation of the Remuneration and Nomination Committee, has decided to introduce a bonus target for the members of the Executive Team and the CEO based on Return on Capital Employed (ROCE). This target will replace the existing criteria of net results and Group Rebitda.

### Remuneration of the CEO and the members of the Executive Team

In the report on the remuneration of the CEO and the members of the Executive Team, the basis for the variable remuneration is the remuneration earned during the financial year. The payment takes place end of February of the following year. In previous annual reports the remunerations paid out during the financial year were reported. In 2010 the total reported remuneration of the members of the Executive Team (including the CEO) amounted to 2,004,465 euro, including the variable remuneration earned in 2009. The variable remuneration earned in 2010 (paid out in 2011) amounted for the Group to 598,099 euro.

#### CEO

In connection with her responsibility for day-to-day management, the Company has entered into a contract for an indefinite duration with the company of the CEO. In addition to the amounts paid, the CEO is also provided with the benefit of a company car (BMW, Class 5), the entire operational costs of which shall be borne by the Deceuninck Group.

The CEO received in 2011 a fixed remuneration in the amount of 446,200 euro. The variable remuneration amounted to 137,062 euro. The pension allocation amounts to 35,696 euro.

### Members of the Executive Team

Members of the Executive Team (as constituted on 31 December 2011 - without the CEO) received a remuneration of 2,092,771 euro last year, which includes a variable remuneration of 348,195 euro based on the performance criteria of 2011. This variable remuneration was paid in February 2012.

The retirement allowance amounted to 62,767 euro and consists of approved contributions to an external insurance company.

Fixed remuneration	1,744,576 euro
Variable remuneration	348,195 euro
TOTAL	2,092,771 euro
Granted warrants during the fiscal year (number)	230,000
Retirement allowance	62,762 euro

During 2011 the composition of the Executive Team varied between 9 and 11 members due to succession of certain members and as a result of the admission of the Group HR function to the Executive Team.

Options and/or warrants on shares of the Company are granted to the members of the Executive Team. The Extraordinary General Meeting of October 2006 approved an option plan on existing stock under which the Board of Directors is granted the authority to allocate 75,000 options on existing shares each year. The Board of Directors, in its meeting of 16<sup>th</sup> December 2011, approved an additional warrant plan for 2011 within the authorised capital for the issue of 3,000,000 warrants (Warrant Plan 2011 (II)), of which 790,000 warrants have already been offered.

Of this warrant plan 2011(II), 530,000 warrants on shares were offered to the members of the Executive Team, which were distributed as follows:

To Stephan Coester, Bjorn Del'hay, Yves Dubois, Bart Louwagie, Michael Stöger and Paul Van Wambeke 20.000 warrants each were offered. To Ann Bataillie, Bruno Deboutte, Philippe Maeckelberghe and Bernard Vanderper 27.500 warrants each were offered. To the CEO 300.000 warrants were offered. These offered warrants were all accepted.

The warrants offered in 2011 have an exercise price of 0.73 euro (for the members of the Executive Team) and of 0.85 euro (for the CEO). No stock options or warrants were exercised in 2011.

Deceuninck provides a company car to the Executive Team. In this context, the Company tries to achieve a maximum balance between the representative attributes of the car and the personal needs of the members of the Executive Team. Under the Environments charter, the environmental impact, including consumption and CO<sub>2</sub> emissions, plays a substantial role during the selection of these types of cars.

The members of the Executive Team also benefit from a group health insurance for themselves, their spouses or cohabiting partner if any, and their children who are dependent to the family from the taxation point of view.

### **Right of recovery**

The stipulations of the agreements between the Company and the CEO and the members of the Executive Team do not contain recovery clauses.

### **Severance Pay**

For the members of the Executive Team, no special severance pay conditions have been agreed. In the case of any potential severance, the remuneration will be determined based on the existing employment agreement of indefinite duration and the applicable current employment laws and practice. In the case that severance pay amounts to more than 12 months of the fixed and variable remuneration, the allotment of this remuneration will be presented for approval to the General Meeting.

With Stephan Coester, a fixed term contract under German law, was concluded.

The severance pay for the CEO amounts to 12 months base salary.

### **Audit**

The statutory auditor is appointed for a period of 3 years at the General Shareholders' Meeting held on 10 May 2011. His annual fee amounts to 590,050 euro (560,000 euro in 2010) for the whole Group, including audit services for the consolidated and statutory accounts.

## *Transactions between related parties*

### General

Each Director and each member of the Executive Team is encouraged to arrange their personal and business interests so that there is no direct or indirect conflict of interest with the Company. Deceuninck has no knowledge of any potential conflict of interest affecting the members of the Board of Directors and the Executive Team between any of their duties to the Company and their private and/or other duties. The Charter provides that every transaction between the Company (or any of its subsidiaries) with any Director or executive manager must be approved in advance by the Board of Directors, whether or not such a transaction is subject to applicable legal rules. Such a transaction can only take place based on terms in accordance with market practices.

### Directors conflicts of interest

In accordance with article 523 of the Belgian Code on Companies, the Board should respect a special procedure in the case that one or more Directors potentially have a conflict of interest with one or more decisions or transactions that are within the authority of the Board of Directors. Two cases of conflict of interest in the sense of article 523 of the Belgian Code on Companies were communicated to the Board of Directors during 2011.

Both conflicts of interest concerned the approval of a warrant plan and the offer of warrants to senior management and the CEO. The CEO informed the Board of Directors about a potential conflict of interest. In accordance with the stipulations of article 523 of the Belgian Code on Companies and taking into account that the Company is a public Company listed on the stock exchange, the Director involved was asked to leave the meeting during

the discussion of this point. As a consequence, the Director involved did not participate in the deliberations or in the vote on the issue.

### Transactions with affiliated companies

The conflict of interest settlement of article 524 of the Belgian Code on Companies was not applied in 2011.

## *Authorization purchase treasury shares*

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority for a period of 5 years to acquire treasury shares by purchase or exchange up to the maximum permitted number of shares and for a price between 0.40 and 6.00 euro per share. This action can be taken without authorization of the General Meeting and in accordance to article 620 and following of the Code on Companies.

At the same Meeting, it was decided to authorise the Board of Directors, without limitation in time, to sell these treasury shares, either directly or by intervention of a person who acts in his own name but at the expense of the Company, either (i) at a minimum price of 0.40 euro, which is the minimum price fixed in the authorization for purchase of treasury shares, or (ii) when the sale happens in the context of a Share option plan. In this last case, the Board of Directors is authorised to sell the shares, with the consent of the beneficiaries of the share option plans, outside of the stock exchange market.

During the financial year 2011, no treasury shares were purchased.

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority for a period of 3 years to acquire or

sell treasury shares, profit-sharing bonds or certificates which relate to these bonds, according to article 620 till 625 and 630 of the Code on Companies, when the acquisition or alienation is necessary to avoid threatening serious damages to the Company.

## *Authorised capital*

At the Extraordinary Annual Meeting of 31 December 2009, it was decided to grant the Board of Directors the authority, for a period of five years starting from 25 January 2010, to increase issued capital on one or several occasions to a maximum amount of 42,495,000.00 euro by a cash contribution, a contribution in kind according to legal limits or by incorporation of the reserves or share premiums, with or without the issuance of new shares. In case of a capital increase in cash, the Board of Directors is authorised, with unanimous votes, to limit or cancel the preferential rights. The extraordinary circumstances in which the authorised capital can be used and the anticipated goals are stated in the extraordinary report of 27 October 2009. This report can be viewed on [www.deceuninck.com](http://www.deceuninck.com).

## *Modification of the articles of association*

The modification of the articles of association has been executed in accordance with the stipulations of the Belgian Code on Companies. The Extraordinary General Meeting on 16 December 2011 approved the modification of the articles of association. The aim of the modification was to adapt the articles of association in order to comply with the law of 20 December 2010 concerning the exercise of certain rights of shareholders of

listed companies. This modification and the coordination of the articles of association can be viewed on the Company's website ([www.deceuninck.com](http://www.deceuninck.com)).

## *Shareholders structure*

Every shareholder holding a minimum of 5% of the voting rights needs to comply with the law of 2 May 2007 in respect of the notification of significant investments, the Royal Decree of 14 February 2008 and the Belgian Code on Companies.

The legal thresholds are applicable by increments of 5%. The involved parties need to submit a notification to the Financials Services and Markets Authority (FSMA) and to the Company.

## Breakdown of shareholders

In application of the Law of 2 May 2007, the latest report of participations that has been received shows the following breakdown of shareholders:

Desco*	18,856,250 shares	17.50%
Sofina NV*	18,856,250 shares	17.50%
Fidéc NV	5,793,990 shares	5.38%
Other (Institutional investors, personnel, stock exchange, ...)	64,243,510 shares	59.62%

\* According to the Company transparency disclosure dd. 29/10/08

In a letter dated 21 September 2007, Sofina and Desco notified the Company that they had terminated their shareholder agreement of 27 June 2006, and that a new agreement with regard to their participation in Deceuninck NV had been concluded on 27 August 2007. This agreement constitutes "mutual consultation" in the sense of Art. 7 of the Royal Decree of 10 May 1989, concerning the disclosure of important participations in companies listed on the stock exchange, but does not constitute "mutual consultation" in the sense of Art. 3, §1, 5°, of the Law of 1 April 2007, concerning public takeover offers.

## Internal control and risk management systems

The most important features and elements of the internal control and risk management systems, including the financial reporting, implemented by management, can be summarised as follows:

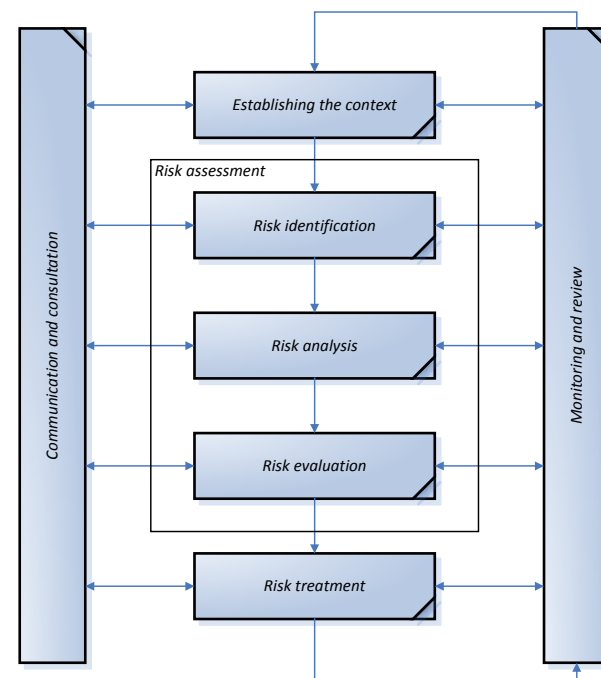
Distributing and updating an accounting manual and developing further specific elements as required;

- Defining targets for permanent follow-up on the activities, the operational results, the use of working capital and the financial position of the Group and the individual companies;
- Constant evaluation of the past and forecasting the most important future targets;
- Following up on exchange rate risks with actions to manage the risks;
- Defining the company's policies and procedures for compliance with applicable laws and regulations;
- Clear procedures on authorisation, reviewed for compliance by the internal audit department;
- Managing information technology systems;
- Discussion of internal audit reports with the internal auditor and, if required, further consultation for additional information and clarification as well as taking measures in order to implement and be compliant with the recommendations;
- Constant monitoring of raw material prices and any changes in prices;
- Requesting statements and confirmation from the local general managers to ensure that they comply with the applicable laws and regulations and internal procedures of the company;
- Monitoring and regular discussion with the legal department of litigation that could be of material significance.

Deceuninck's 3 core values are Candor, Top Performance and Entrepreneurship. Taking calculated risks is an integral part of operational management. The purpose of risk management is to identify and manage the risks.

## Risk framework

The ISO 31000 standard has been selected as a framework for the risk management system. Deceuninck is very familiar with ISO standards (ISO 9001, ISO 14000, etc). This new standard, issued in November 2009, primarily describes the implementation process. The following steps can be distinguished within this process:



### Establishing the context

In order to detect the risks, it is important to have a clear understanding of the context in which Deceuninck operates. On the one hand, there is the external context in which the social, cultural, political, legal, legislative, financial, technological, economical, natural and competitive environment plays an important role. It is also necessary to look at the main drivers and trends that could affect the objectives to be achieved. Finally, the relationship with external stakeholders (customers, suppliers, authorities, shareholders, etc.) also has an important role. On the other hand, there is the internal context in which the objectives of Deceuninck as a Group, as well as the objectives of each individual entity, need to be defined. This requires a good understanding of the resources, knowledge, company culture, organisation, internal standards, strategy, the values, objectives and of relationships with internal stakeholders.

### Risk identification

Risk identification is the first step within the risk assessment process. The risks that might have an impact on the achievement of targets were identified in separate brainstorming sessions with ten Belgian departments. These risks were summarised in a risk register.

### Risk analysis

Risk analysis is the process that seeks to identify the possibility that the risk will occur and what the possible impact will be on achieving the objectives. For this, we take into account the impact on the core objectives i.e. people, planet, quality, service and cost.

### Risk evaluation

Risks are evaluated and ranked on the basis of the scores given for the probability that they will occur and the impact they will have. From this analysis, risks are assessed as to whether they can be tolerated or whether action is required to reduce the impact to an acceptable level.

## Risk treatment

The risk evaluation is used to select the risks that require further action.

There are 4 possibilities for this:

- Completely avoid the risk by changing or stopping the activity;
- Transfer the risk by insurance or third party contract;
- Accept the risk without further action;
- Take action by reducing the probability (prevention) or by lowering the impact (protection).

The risk process is continuous and the different phases have to be continuously reviewed and monitored. Every manager of each department has the responsibility to maintain this process. The risk manager will fulfill a supporting, facilitating and consolidating role in this process. The risk manager reports to both the CFO and the Audit Committee. In the future, the internal audit department will focus on risk management (RBIA: risk based internal audit).

In 2011, further work was performed on risk evaluation and risk treatment of the Belgian entities. A new software tool was also implemented to simplify the administration and to facilitate clear reporting. With the introduction of the risk management system in the foreign subsidiaries, which will start in 2012, this central risk management information system will also make it possible to gain a clear overview of all the risks and to monitor and report on them systematically.

A Risk Management Committee was also established with the intention of meeting 3 times per year. The tasks of the Risk Management Committee are:

- To be informed of the risks within the Group;
- Further identification of risks (top-down);
- Risk evaluation and determining priorities;
- Proposing risk treatment to the Executive Team;
- Monitoring and adjusting the risk management plan.

Given the difficult economic climate, in 2011 the Risk Manager focused for a large part on credit risk. Extra attention was paid to the Southern-European countries (Spain, Portugal, Italy) given the many difficulties encountered by our customers in those countries.

## Risk structure

The risks that Deceuninck faces can be classified in eight categories:

- Strategic risks: macro-economic and financial circumstances, company image, political developments, image of PVC, legislative developments;
- Financial risks: exchange rate risk, liquidity risk, credit risk, interest risk;
- Operational risks: going concern risks, supply and prices of raw materials, incidents, quality risks, IT infrastructure, volume, seasonality, energy;
- Social risks: the retention of employees, the search for employees, safety of people, motivation, work-life balance;
- Technological risks: introduction of new technologies, monitoring new technologies, available resources and knowledge;
- Business risks: evolution of the building activity, government grants, insulation requirements, market demand, trends, competition, quality requirements, standards, distribution channels, customer expectations, branding, communication, media;
- Environmental risks: pollution, recycling, environmental standards, communication regarding PVC, sustainability;
- Legal and regulatory risks such as product liability, intellectual property, warranty, legislation, contract management.



In the Risk Management Committee, it was decided to add ICT as a ninth separate risk group, given the importance of our information systems. For each risk in the Group 1 responsible person is assigned in the Risk Management Committee in order to coordinate all the risks.



The most relevant risks are highlighted below:

## Financial risks

The exchange rate risks, interest risks, credit risks and liquidity risks are further discussed in this report under Note 23.

## Market risks

The activities, operational results and financial position of Deceuninck are influenced by the level of activity in the residential construction sector. This activity highly depends on the general economic circumstances as well as on governmental stimuli of local authorities to encourage economic activity, particularly in residential construction. The withdrawal of such stimuli can have a significant impact on Deceuninck's sales. Deceuninck is active in new construction as well as the renovation market which results in a more spread risk. In a period of a weaker construction activity, we generally notice a shift from new construction to renovation.

A large part of Deceuninck's activities is seasonal, which can have a significant impact on working capital needs and cash flow. The demand for Deceuninck's products, and therefore the working capital needs, is the highest during the second and third quarter. Demand is at its lowest level during the first quarter and in the fourth quarter, as the winter period is less favorable for residential construction. Longer winter periods can negatively affect the demand, especially during the first quarter and particularly in Eastern Europe where the winter period is longer. Due to the wide geographical distribution of the markets where Deceuninck is active, this risk is also partially spread.

Deceuninck has actively expanded its sales and activities, including in emerging markets, which exposes the Company to additional risks. Deceuninck is active in over 75 countries.

Although the geographical distribution is regarded as an asset, the financial results of the different entities can vary significantly, which can have an impact on the consolidated results of Deceuninck. Changes to an investment policy or shifts in the prevailing political climate in a country where Deceuninck is active or sells products could lead to the introduction of stricter government regulations. These might, for example, be with regard to price regulations, export and import, income taxes and other taxes, environmental laws, restrictions on foreign ownership, exchange rates and currency control, labour and social security policies.

## Operational risks

The profitability of Deceuninck is partially determined by changes in raw material purchasing prices, especially PVC-resins and additives, and by the sales prices Deceuninck can ask for its products and services. There is always a delay between changes in raw material prices and the changes in the sales prices of the products. This time difference is typical for the construction product market in general and is not specific to Deceuninck. Price increases cannot always be implemented due to competition in the market and competition with alternative materials such as aluminium and

wood. The sales prices for large Customers are increasingly linked to the PVC index. There is a clear trend in increasing raw material prices, which also leads to continuous adjustment of sales prices. The margins are closely monitored using new reporting systems.

Deceuninck needs to assure continuous supply to its Customers. With the exception of coloured profiles, most profiles can be delivered immediately from stock. To be able to guarantee this continuity, it is necessary that Deceuninck does not have interruptions in its supply chain. External suppliers play an important role in this, but internal suppliers (compounds, tools, gaskets, etc.) also have to be considered as potential risk factors. These risks have been identified and are managed and monitored. Particular attention is given to business continuity in the event of supply chain problems.

The different business processes within Deceuninck are highly dependent on the availability of the IT systems. To protect this availability, a number of measures are in place regarding backups, physical access, power supply, fire detection, system redundancy and specialised assistance in case of disasters.

## Legal and compliance risks

Deceuninck is subject to various stringent and evolving laws, regulations and standards. Adapting to a changing regulatory environment or failure to comply with such laws, regulations and standards could have an adverse effect on its business, operational results or financial position.

Deceuninck may be faced with claims of infringement of others' intellectual property rights.

Deceuninck is subject to risks that result from product liability claims involving products it has manufactured.

In an international company, the individual actions of employees can lead to compliance breaches. This can adversely affect the image of the company, its activities and the value of its shares.

Through strict worldwide application of its Corporate Governance Charter and rigorous internal control, Deceuninck strives for maximum compliance worldwide with its Corporate Governance Charter and ethical code.

## MANAGEMENT REPORT

### *Building a sustainable home*

At Deceuninck we believe in "building a sustainable home". Our core values, Candor, Top Performance and Entrepreneurship help us to achieve our mission.

Top Performance means:

- When confronted with a choice, we choose in the following order:  
**People** (Health and Safety), **Planet** (Environment and Ecological footprint), **Quality, Service, Profit** (Cost) – **PPQSP**.
- Profit is essential to build a sustainable business.
- Performance 'happens in every work place' every day: in design, manufacturing, delivery, in front of the Customer; also after installation of the product in the home.

#### People **PPQSP**

*"We are here to build a sustainable 'home' for **our people** and **our Customers**. We build long lasting relationships and intimacy, based on our core values."*

Deceuninck Group believes in a culture where people are proud to work. People live the values of Candor, Top Performance and Entrepreneurship. Strengthening these values throughout the organisation has been one of the cornerstones of the project "Focus on People". During 2011, focus was given to the organisational design of the top and middle management. By means of targeted training, development opportunities, international job rotation, virtual forums, internal communication, strategic meetings and a leadership academy, both professional and people skills were further developed at this level. At some key positions, changes in management took place as a result of strategic succession and career planning in line with the business strategy. Since 2009, a great majority of all vacancies

within the international Management Team and the Executive Team were filled by internal promotions. This provides an ideal mix of internal and external expertise and ideas to support the Group's business strategy. This also created development and growth opportunities for many other high potential employees in the organisation.

Furthermore, Deceuninck has a clear commitment to act with respect for people, society and environment as well as the creation of a safe, healthy and learning workplace for its employees. The clear improvement in the number of lost working day accidents (33% lower when compared to 2010) in the Group shows that persistent effort in this domain is essential for the well being of Deceuninck's employees.

#### Planet **PPQSP**

*"We are here to help you build a home that is more **energy-efficient** to live in. We create long lasting, low maintenance **building products** with top insulating properties. Our products are created with the lowest ecological footprint and can be **fully recycled** at end of life."*

#### Energy efficiency drives product innovation

*"The greenest energy is the energy you do not consume."*

National building codes are gradually introducing stricter insulation and ventilation targets in order to meet European insulation legislation (EPBD - Energy Performance of Buildings) by 2020. New buildings are to be nearly zero energy buildings by 31 December 2020 with public buildings having to fulfil this standard two years earlier. Improving the energy performance of buildings is a cost-effective way of fighting against climate change and improving energy security, while also creating job opportunities, particularly in the building sector.



*Deceuninck Terrace+*



*Inoutic Prestige*



*Deceuninck Interior (Beebo)*

Latest generation Deceuninck windows offer excellent improvements in insulation, helping families to save over 50,000 litres of heating fuel during a 50+ year lifetime.<sup>3</sup>

Deceuninck North America introduced INNERGY, a glass fibre reinforcement which replaces badly insulating aluminium reinforcements.

In 2010, Deceuninck launched Eforte on the Central European, Inoutic Platform. Eforte is the only PVC window system that meets passive house standards without additional insulating components. It is therefore the most economical high end window system on the market.

At the Batimat Paris exhibition in 2011, Deceuninck launched Zendow#neo:

a new generation energy-efficient window system, meeting tomorrow's energy efficiency needs. Zendow#neo uses Linktrusion technology. Linktrusion is a fusion of different solutions, a constantly evolving technology refining, balancing and combining the features and benefits of both new and traditional materials. It is the platform where different materials & technologies can be combined into 1 single multi-component extrusion. For window profiles Linktrusion links continuous glass fibre strips within the main profile extrusion.

<sup>3</sup> Source: Inoutic energy savings calculation (see: <http://www.inoutic.de/en/tips-on-window-purchase/saving-energy/energy-saving-calculator/energiesparrechner.html>). Calculation base: replacement of 35m<sup>2</sup> single glazed windows. Results may vary in function of the region and PVC window system used to replace the single glazed window.

The Linktrusion approach also led to the development of the Zendow thermal reinforcement, a reinforcement profile with steel wire, embedded in PVC foam extrusion with 30% improved insulation performance.

Eforte and Zendow#neo meet passive house insulation requirements, up to 40% less material consumption.

***The greenest raw material is the one that you do not consume.***

Deceuninck's latest window designs provide an improved energy performance at an ever lower weight. They meet passive house insulation requirements, up to 40% less material consumption. This helps the users of Deceuninck's products to preserve natural resources.

In December 2011, Deceuninck announced the acquisition of the PVC recycling infrastructure from Verpola. This investment guarantees a closed loop for all the products Deceuninck puts on the market: PVC, Twinson wood composite, as well as the newly launched glass fibre reinforced PVC. The acquisition of the Verpola PVC recycling line enables Deceuninck to increase the annual recycling capacity to 20,000 tonnes and as a result to increase the replacement of virgin material by recycled material.

To bring this concept to the market, Deceuninck introduced a proprietary brand name, "**Renocycling**, combining **Renovation** and **Recycling**."

**Reducing the ecological footprint of operational activities**

In June 2011, Deceuninck was awarded the ISO 14001 certificate for the plant in Gits by the Belgian body BCCA. The certificate is valid for three years. Furthermore, the Belgian production site in Gits succeeded in renewing its "Charter Duurzaam Ondernemen" (Charter Sustainable Entrepreneurship).

ISO 14001 certification takes into account a number of prevention principles to limit or prevent the impact for people, the environment and the neighbourhood. The Plan-Do-Check-Act approach of ISO 14001 results in continuous improvements of the environment performance based on procedures and instructions. The Charter Sustainable Entrepreneurship is based on the "to measure is to know" principle and the implementation of concrete actions.

In Turkey, both production sites concluded their ISO 14000 environmental audit successfully.

All worldwide production sites further focussed on scrap reduction as well as reduced energy consumption.

**PVC products to reduce ecological footprint of the intended final users**

Plastics only use 4% of non-renewable oil and gas based fossil fuels. PVC uses less than 1%. 40% is used for heating buildings.

Plastic building products are lightweight, require low maintenance and provide superior insulation.

Plastic products save energy and reduce CO<sub>2</sub> emissions. By 2020, the benefit of using plastic products is estimated to be 15 times higher than the combined emissions from production and waste management.

The European Commission acknowledged PVC to be a safe and environmentally friendly material, in an answer to the European Parliament on 22 November 2010.

*"Articles made from PVC do not present a risk to human health and the environment, provided that they contain the appropriate additives and are disposed of in accordance with the existing legal obligations."*

In 2011, Deceuninck continued its support for Vinylplus ([www.vinylplus.eu](http://www.vinylplus.eu)). This is the successor to Vinyl 2010, the voluntary commitment of the PVC industry which ended in 2010. Among its most significant achievements was the establishment of an infrastructure for the annual collection and recycling of over 260,000 tonnes of PVC, which prior to 2000 had been regarded by some NGOs as an unrecyclable material destined for landfill or incineration.

The VinylPlus commitment includes an ambitious set of sustainable development targets centred on five commitments:

- **Controlled Loop Management.** Achieving a quantum leap in recycling rates of PVC (target 800,000 tonnes/year by 2020) and the development of innovative recycling technologies;
- Addressing concerns about organochlorine emissions;
- **Ensuring the sustainable use of additives;**
- Enhancing energy efficiency and the use of renewable energy and raw materials in PVC production;
- Promoting sustainability throughout the whole PVC value chain.

Through its membership of EPPA ([www.eppa-profiles.org](http://www.eppa-profiles.org)) and its contribution to the Vinyl Foundation, Deceuninck endorses the VinylPlus commitment.

## Quality PPQSP

High quality products and services are Deceuninck's commitment to its Customer and to the final consumer. In order to guarantee this quality, most of Deceuninck's operational and corporate activities are ISO 9001 certified.

Window and door systems and other building products have been certified and audited by most of the renowned quality certification bodies such as ATG, BBA, CSTB, IIP, ITB, KOMO, PEFC, RAL, STROITELSV, TSE and VHI.

## Service PPQSP

The Deceuninck Group marketing strategy combines product line strategy with regional specific marketing strategies.

The Group strives to either grow or build strong market positions in all markets where the Group is active.

### Sales support and branding

In 2011, Deceuninck launched a new corporate brand design. A redesigned website built according to the purpose, the values and the ambitions of the new mission "Building a sustainable home" was launched. The new website allows for high quality sales lead generation. It offers end consumers dedicated product information and a fast and easy contact to the Deceuninck window fabricators and building product distributors.

For more information: [www.deceuninck.com](http://www.deceuninck.com).

Group marketing introduced a clear branding and platform strategy: Deceuninck as a brand and Zendow as a platform for Northwest and Southwest Europe; Inoutic as a brand and platform for Central Europe. With this strategic step, Deceuninck makes use of a "German brand" to serve the Central European markets. Consolidating to one product platform provides synergies, cost benefits and the basis to grow the market share in this region.

Further investments were made in corporate branding across the sales channels. By supporting its franchising partners *Menuisiers Pévécistes Deceuninck* (France), and *Winsa and Egepen Deceuninck* (Turkey) with sales materials, showroom displays, brochures, website templates (including dealer locator), media campaigns, etc., Deceuninck offers its partners high impact and high visibility for its outstanding products, while extending end consumers the Deceuninck guarantee.

In addition, the SynergieBuild extranet tool offers significant added value to the fabricators and distributors. This application allows Deceuninck Customers to enter their orders and view product availability.





*Deceuninck Premium Twinson cladding*



*Deceuninck Zendow*



*Deceuninck Zendow*

Moreover, extra services are being added to increase the value to the Customer, such as technical data consultation, after sales service and the ordering of samples. The Company aims at working in a real partnership with an outstanding service level.

#### **Co-creation as a basis for product development**

The Deceuninck Group considers innovation as one of the essential drivers for sustainable success.

During the product development process, Deceuninck focuses on continuous collaboration with its Customer base. This 'co-creation' contributes to an optimal result. Customers are an enormous source of product knowledge and expertise; therefore, their input and ideas have a significant added value.

#### **Profit PPQSP**

Profit is essential to build a sustainable business. In 2011, Deceuninck attained a net result of 6.3 million euro from 536.1 million euro consolidated sales.

The finance function continued to improve its communication systems and transparency towards its shareholder base and financial stakeholders. In 2011 further investments were made to improve and upgrade the financial infrastructure and systems, the finance human capital as well as the business processes, such as state of the art software and organisation of management, accounting, consolidation, budgeting, business planning, short term forecasting, automation of intercompany transactions, transfer pricing methodologies and, finally, credit and risk management.

## Deceuninck Group regional sales divisions

Deceuninck sales activities are subdivided into 4 regions, namely Western Europe, Central and Eastern Europe, Turkey and the United States.

In all markets, energy-efficient construction and renovation continued to grow as an engine of the industry. PVC windows continued to offer "best value" for money.

Energy-efficient renovations were supported both by stricter building regulations and government financial support packages.

Deceuninck estimates that 70% of consolidated sales originate from the residential renovation market segment. As the replacement of windows is not subject to building permits, activity in the sector is not always in line with official residential renovation statistics. Energy-efficiency and consumer confidence are the main drivers of the residential renovation market.

### Western Europe

Western Europe consists of the markets in the Benelux, France, Italy, Spain and the United Kingdom.

Full year 2011 sales in Western Europe increased by 2.0% to 211.6 million euro (2010: 207.5 million euro). Sales increased in the Benelux, France and Italy. In UK and Spain sales dropped.

The share of the region in Group consolidated sales increased from 37% in 2010 to 39% in 2011. The region is characterised by clearly divergent dynamics, which is reflected in Deceuninck's sales performance in each of the individual national markets.

Sales in Belgium grew in window systems, outdoor living, roofline, cladding and interior. Sales were stronger during the first half, a trend that is confirmed by declining residential building permits & renovation activity in the second half. Comparison base during the first half was difficult due to pull forward

sales activity in 2010 as a result of stopping a tax incentive for residential newbuild.

At the annual building trade fair, Batibouw, the campaign [www.haalmeeruituwramen.be](http://www.haalmeeruituwramen.be) ("get more from your windows"), was successfully launched and created sales leads all year long.

In the Dutch market, sales grew double digit with the Zendow Royal window range in retro style as the preferred choice of building contractors for residential renovation projects.

In the UK the window market continued to suffer from the effects of saturation, reduced new home building and the austerity measures that are affecting consumer confidence. In a difficult market environment, Deceuninck Ltd was able to maintain its market position. A new strategic sales approach resulted in a number of competitive wins in the second half of the year.

Deceuninck's sales in France continued to grow for full year 2011. The second half of the year was impacted by declining consumer confidence as a result of the European economic downturn.

A key event was the successful launch of Zendow#neo, using the Linktrusion technology, at Paris Batimat fair in November.

In 2011 the Deceuninck production site situated in Roye celebrated its 25th anniversary with a national meeting.

The assembly paid tribute to General Manager and Executive Team member Paul Van Wambeke for his exceptional performance and contribution to the 25 years of sustainable growth of Deceuninck SAS in Roye. Paul Van Wambeke retired at the end of 2011 and transferred his responsibilities both as General Manager Deceuninck SAS and Executive Team member of the Group to Yves Dubois, who joined the Group in the second half of 2011.

Market conditions remained difficult in Spain. Newbuild residential building was sluggish as a result of the high number of unoccupied new housing and apartments, the tight credit situation and high unemployment rate.





*Deceuninck Zendow Flex*



*Deceuninck Premium cladding in PVC*



*Deceuninck Zendow Autentica*

In Italy Deceuninck's sales grew strongly. Deceuninck was able to strengthen its market position driven by its vast colour range and a substantial number of competitive wins.

## Central and Eastern Europe

Central and Eastern Europe represented 30% of consolidated sales in 2011 (2010: 31%). Deceuninck is active in nearly all countries with a local sales organisation supported by local logistics and operational activities in Germany, Poland, Czech Republic and Russia.

Full year 2011 sales were 161.9 million euro, a year-on-year decrease of 5.9% (2010: 172.1 million euro). Sales were weak in Russia and Central Europe, except for Germany. Strong growth was recorded in some smaller markets.

Besides weak demand, sales were impacted by a year-on-year unfavourable evolution of some currencies.

Central and Eastern Europe is characterised by a very competitive environment with a large number of European and local players in almost all countries which leads to overcapacity.

Deceuninck announced the one brand, one product offering strategy for Central Europe. As a result Poland, Hungary, Czech and Slovak Republic are fully consolidating to the German Inoutic product platform. The implementation was started in the second half and will continue into 2012.

Russia is Deceuninck's major market in the region. To meet increasing service requirements from the Russian Customers, Deceuninck expanded the local warehouse offering. Russian Customers now have access to the full product platform at reduced lead times.

Sales on the German market benefitted from a favourable economic climate. The innovative window system Eforte is one of the strong points.

Deceuninck Spol in Popovky is servicing the Central European markets of Czech Republic, Hungary and Slovak Republic. In 2011, the Customer base has been strengthened as a basis for future growth.

Deceuninck sales on the domestic Polish market were flat in line with the local market evolution.

In most of the Balkan and Baltic countries strong sales growth has been achieved.

## United States

Sales at Deceuninck North America represent 11% of 2011 consolidated sales.

In 2011 sales decreased by 19.3% to 56.6 million euro. At constant exchange rates sales fell by 12.1%. Residential renovation activity continued to be affected by undervalued homes, relatively high unemployment, tight credit markets and global economic conditions.

The US housing market continued to struggle in its recovery. The replacement window market was impacted going into 2011, by the expiration of energy conservation incentives on 31 December, 2010 that had the effect of pulling window sales forward to 2010.

The launch of INNERGY, a glass fibre reinforcement that replaces poorly, insulating aluminium reinforcements, marks the major innovation project.

## Turkey

2011 Sales at Egepen Deceuninck and Winsa in Turkey represent 20% of Deceuninck's consolidated sales (2010: 19%).

In 2011 sales decreased by 1.9% to 106.0 million euro (2010: 108.0 million euro). At constant exchange rates sales increased by 13.7%. Domestic demand continued to improve throughout the year. Exports from Turkey to Northern Africa were negatively impacted by the political instability in the region.

Deceuninck continued to strengthen its market position by means of an extensive focus on Customer intimacy and branding to the end consumer.

## *CHARACTERISTICS OF DECEUNINCK SHARES*

### *Number of shares*

The Company capital (42,495,000 euro) is represented by 107,750,000 shares of which 86,200,000 with VVPR strips. Deceuninck holds 217,121 of its treasury shares, as at 30 March 2012.

### *Types of shares*

In total 88,644,596 dematerialised shares, 18,856,592 registered shares and 248,812 bearer shares have been issued.

The bearer shares that are registered in a security account have been converted by right on 1 January 2008, and exist since that date exclusively in a dematerialised form. The other bearer shares, to the extent that they are registered in a security account as of 1 January 2008, will also be dematerialized automatically. Bearer shares that are not registered in a security account will be converted by right into dematerialized shares on 1 January 2014.

For any conversion of shares into dematerialised shares and vice versa, please contact the Legal Department of Deceuninck NV, Bruggesteeweg 164, B-8830 Hooglede-Gits.

## *SHAREHOLDER POLICY AND DIVIDENDS*

### *Stock market information*

The closing price of Deceuninck shares on 30 December 2011 was 0.73 euro. Deceuninck adheres strictly to the Belgian regulation relating to financial information, which must be provided to Euronext and the Financials Services and Markets Authority (FSMA).

### *Quotation on the stock exchange – stock exchange index*

Deceuninck shares are listed under the code DECB and are traded on the Continuous segment of Euronext Brussels. In 2011 DECB moved from the BELSMALL to the BELMID index.

## Evolution of the deceuninck share price

The price of the Deceuninck share decreased from 1.83 euro on 31 December 2010 to 0.73 euro on 30 December 2011. The average price in 2011 was 1.58 euros. The lowest price was 0.68 euro on 21 December 2011 and the highest price was 2.18 euro on 4 April 2011.



## Dividends

As part of the debt restructuring agreement, any dividend payment is subject to lender approval.

At the General Shareholders Meeting scheduled on 8 May 2012, the Board of Directors will recommend not to pay a dividend for the financial year 2011.



## *Institutional investors and financial analysts*

Deceuninck has continuously and consistently informed the financial community about the evolution of the Company. Press releases with the annual results, half year results and interim statements were issued at scheduled intervals before stock exchange opening and published on the Investor Relations page of the website ([www.deceuninck.com](http://www.deceuninck.com)).

Institutional investors at home and abroad were informed by Deceuninck during one-to-one meetings, as well as in group meetings. Road shows were organized in Brussels, Frankfurt, London and Paris. Opportunities were offered to institutional investors to meet or set up conference calls with the CEO and CFO at the head offices in Hooglede-Gits. Retail investors had the opportunity to inform themselves at the Deceuninck stand, during the retail investor events of the VFB (Flemish Federation of Investment Clubs and Investors), which took place in April and October as well as during private banking meetings at the Deceuninck headquarters in the course of 2011.

## *Investor relations*

Investors, shareholders or others who wish to receive financial information, can contact the Investor Relations Department, Bruggesteeweg 164, 8830 Hooglede-Gits, Belgium, [ludo.debever@deceuninck.com](mailto:ludo.debever@deceuninck.com).

In addition, it is also possible to register via the Investor Relations page of the website at (<http://www.deceuninck.com/en/financial-mailing-list.aspx>).

### **Financial calendar 2012**

8 May 2012	Q1 2012 trading update
8 May 2012	Annual Shareholders Meeting at 11 am CET
12 July 2012	Q2 2012 trading update
23 August 2012	2012 half-year results
18 October 2012	Q3 2012 trading update

### Introduction

This annual report needs to be read in conjunction with the audited consolidated financial statements of Deceuninck Group, referred to as the Group, and the notes to the financial statements. These audited consolidated financial statements were determined by the Board of Directors on 27 March 2012.

### Financial result and liquidity position of the Group

#### Consolidated sales

Consolidated sales evolved from 557.8 million euro in 2010 to 536.1 million euro in 2011, a decrease of 21.6 million euro or 3.9%. The weakening of mainly the Turkish lira and US dollar lowered sales by 22.8 million euro or 4.1%. Sales volume decreased by 6.8%, mainly in the US, UK, Russia and Central Europe. Price- and mix effects resulted in an increase of 7.0%, thanks to the charge through of PVC and additive cost increases and a more favourable geographic mix.

#### EBITDA - REBITDA

EBITDA decreased by 9.0 million euro, from 57.3 million euro in 2010 to 48.3 million euro in 2011. EBITDA, expressed as a percentage of consolidated sales, amounts to 9.0% in 2011, compared to 10.3% in 2010. The lower EBITDA was mainly caused by a decrease of the gross profit.

REBITDA amounts to 49.4 million euro or 9.2% of consolidated sales. In 2010 REBITDA amounted to 57.7 million euro or 10.4% of consolidated sales.

#### Net profit (+) / loss (-)

The Group's share in the net result decreased by 2.2 million euro and amounts to a net profit of 6.2 million euro, compared to 8.4 million euro in 2010. The decrease of the gross profit by 8.6 million euro compared to 2010, is partly compensated by lower operational expenses by 5.8 million euro and a better financial result of 1.0 million euro.

Furthermore, is the impact of income taxes negative by 1.1 million euro, in comparison with 2010.

#### Balance sheet total and equity

The balance sheet total decreased from 471.4 million euro in 2010 to 443.7 million euro in 2011. Current assets decreased by 16.5 million euro, mainly driven by lower trade receivables and lower cash and cash equivalents.

Fixed assets declined by 11.2 million euro as a result of depreciations recorded during the year and foreign currency impact. Capital expenditure increased from 15.6 million euro in 2010 to 21.9 million euro in 2011.

Consolidated equity amounted to 205.9 million euro, a decrease of 6.1 million euro compared to 2010. This decrease is mainly explained by negative currency translation adjustments, partly compensated by the consolidated net profit for the year of 6.3 million euro. Consolidated equity represents 46.4% of the total balance sheet in 2011 compared to 45.0% in 2010.

Net financial debt amounts to 101.8 million euro compared to 100.7 million euro at the end of 2010.

## Capital expenditure

*Capital expenditure comprises the acquisition of specific assets, with the purpose of being applied in the manufacturing process, or being used in an administrative or supporting role. The Group financed its operating resources and capital expenditure with equity. Capital expenditure for the acquisition of capital goods amounted to 21.9 million euro in 2011, compared to 15.6 million euro in 2010. Capital expenditure mainly relates to tools, productivity improvements and replacements, regarding our vision of "Building a sustainable home".*

## Market risk management

*For an analysis of the Group risk management, see Note 23 of the consolidated financial statements.*

## Research & development

Group wide R&D activities are managed by Innovation and Technology. Technology is one of the essential drivers for Deceuninck's sustainable success related to window systems and building products. Technology links product innovation and product requirements in the organization. It develops appropriate and cost efficient manufacturing processes, materials and tools and promotes their standardisation in the production plants. Focus is on process innovation, process capability, cost reduction and resource management.

In 2011 innovation and technology activities resulted in some major breakthrough products and processes. Linktrusion as a new technology platform has been launched. Linktrusion refers to Deceuninck's unique approach in the development of new technologies & materials. It is the platform where different materials & technologies can be combined into 1 single multi-component extrusion. Linktrusion allows to develop more

efficient products by integrating more functionalities and to develop dedicated solutions for each specific application. Zendow#neo is the first application of the platform. In Zendow#neo Linktrusion is the combination of glass fibre reinforced PVC profiles and a reinforcement profile with steel wire, embedded in PVC foam extrusion with 30% improved insulation performance.

Projects aiming at further optimizing energy consumption, standardising equipment and enhancing the re-use of recycled raw material into new products were continued.

## Events after the balance sheet date

Please refer to Note 24 of the consolidated financial statements.

## Other circumstances

Besides the circumstances included in the paragraph on the market risk management, no other circumstances should be disclosed that had a significant influence on the Group's situation.

## Deceuninck Group: key figures

Consolidated income statement (in millions of euro)	2007	2008	2009	2010	2011
Net sales	656.6	629.9	506.4	557.8	536.1
EBITDA	60.0	30.4	20.9	57.3	48.3
EBITDA-margin (%)	9.1%	4.8%	4.1%	10.3%	9.0%
REBITDA	N/A	32.8	45.0	57.7	49.4
REBITDA-margin (%)	N/A	5.2%	8.9%	10.4%	9.2%
EBITA	18.3	-15.0	-11.3	24.4	22.3
EBITA-margin (%)	2.8%	-2.4%	-2.2%	4.4%	4.2%
EBIT	18.3	-23.2	-11.3	24.4	22.3
EBIT-margin (%)	2.8%	-3.7%	-2.2%	4.4%	4.2%
EBT	7.1	-39.9	-25.5	9.4	8.3
EBT-margin (%)	1.1%	-6.3%	-5.0%	1.7%	1.5%
Net profit (+) / loss (-)	5.3	-37.4	-16.9	8.5	6.3
Net profit (+) / loss (-)-margin (%)	0.8%	-5.9%	-3.3%	1.5%	1.2%
Earnings per share (in euro)	0.25	-1.75	-0.16	0.08	0.06

Consolidated statement of financial position (in millions of euro)	2007	2008	2009	2010	2011
Non-current assets	298.2	269.7	248.6	237.6	226.5
Current assets	280.8	249.9	221.2	233.8	217.3
Equity	193.7	137.1	197.4	212.0	205.9
Long-term provisions	15.4	15.9	18.7	21.2	20.8
Deferred tax liabilities	17.8	11.1	5.0	5.1	3.9
Long-term interest-bearing loans	155.8	0.1	129.9	93.6	93.4
Current liabilities	196.3	355.4	118.8	139.5	119.8
Balance sheet total	579.0	519.6	469.8	471.4	443.7
Working capital	131.3	78.1	99.5	111.1	119.2
Capital expenditure	63.5	35.4	16.0	15.6	21.9
Net debt	178.3	163.3	112.5	100.7	101.8
Equity / Balance sheet total (%)	33.5%	26.4%	42.0%	45.0%	46.4%
Net profit (loss)/Equity (%)	2.7%	-27.3%	-8.6%	4.0%	3.1%
Gearing (%)	92.0%	119.1%	57.0%	47.5%	49.4%

Headcount (Temporary workers and outsourced full time equivalents included)	2007	2008	2009	2010	2011
Total Full Time Equivalents (FTE)	2,940(*)	3,127	2,816	2,821	2,735

(\*) Temporary workers and outsourced full time equivalents not included



## CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### Deceuninck consolidated income statement

For the 12 month period ended on 31 December (in thousands of euro)	Notes	2010	2011
<b>Net sales</b>		<b>557,758</b>	<b>536,129</b>
Cost of goods sold	3	-394,093	-381,102
<b>Gross profit</b>		<b>163,665</b>	<b>155,027</b>
Marketing, sales and distribution expenses		-92,545	-88,139
Research and development expenses		-5,177	-5,782
Administrative and general expenses		-40,852	-38,808
Other net operating result	3	-686	17
<b>Operating result</b>		<b>24,405</b>	<b>22,315</b>
Financial charges	3	-30,685	-27,795
Financial income	3	15,709	13,788
<b>Profit (+) / loss (-) before taxes</b>		<b>9,429</b>	<b>8,308</b>
Income taxes	4	-881	-1,960
<b>Profit (+) / loss (-) for the financial year</b>		<b>8,548</b>	<b>6,348</b>
Earnings (+) / loss (-) per share calculated by the weighted average of basic shares, distributable to the shareholders of the parent company (in euro)	5	0.08	0.06
Diluted earnings (+) / loss (-) per share calculated by the weighted average of basic shares, distributable to the shareholders of the parent company (in euro)	5	0.08	0.06

The result for the financial year is attributable to:	2010	2011
Shareholders of the parent company	8,378	6,210
Non-controlling interest	170	138
<b>Total</b>	<b>8,548</b>	<b>6,348</b>

## Deceuninck consolidated statement of comprehensive income

For the 12 month period ended on 31 December (in thousands of euro)	2010	2011
<b>Profit (+) / loss (-) for the financial year</b>	<b>8,548</b>	<b>6,348</b>
<b>Other comprehensive income (+) / loss (-)</b>		
Currency translation adjustments	4,438	-12,615
<b>Other comprehensive income (+) / loss (-) after tax impact</b>	<b>4,438</b>	<b>-12,615</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>12,986</b>	<b>-6,267</b>

The total comprehensive income (+) / loss (-) is attributable as follows:	2010	2011
Shareholders of the parent company	12,741	-6,177
Non-controlling interest	245	-90
<b>Total</b>	<b>12,986</b>	<b>-6,267</b>

## Deceuninck consolidated statement of financial position

Position at 31 December (in thousands of euro)	Notes	2010	2011
<b>ASSETS</b>			
Intangible fixed assets	6	4,733	3,428
Goodwill	7	10,860	10,806
Tangible fixed assets	8	204,574	193,180
Financial fixed assets	9	1,310	1,433
Deferred tax assets	4	14,475	16,209
Long-term receivables	10	1,670	1,412
<b>Non-current assets</b>		<b>237,622</b>	<b>226,468</b>
Inventories	11	65,171	77,809
Trade receivables	12	107,619	99,227
Other receivables		8,433	7,548
Cash and cash equivalents	13	43,856	24,443
Fixed assets held for sale	8	8,693	8,239
<b>Current assets</b>		<b>233,772</b>	<b>217,266</b>
<b>TOTAL ASSETS</b>		<b>471,394</b>	<b>443,734</b>
<b>EQUITY AND LIABILITIES</b>			
Issued capital	14	42,495	42,495
Share premiums	14	46,355	46,355
Consolidated reserves		141,495	147,480
Treasury shares	14	-651	-261
Currency translation adjustments	14	-19,134	-31,520
<b>Equity excluding non-controlling interest</b>		<b>210,560</b>	<b>204,549</b>
Non-controlling interest		1,466	1,376
<b>Equity including non-controlling interest</b>		<b>212,026</b>	<b>205,925</b>
Interest-bearing loans	17	93,551	93,361
Long-term provisions	15,16	21,247	20,805
Deferred tax liabilities	4	5,063	3,890
<b>Non-current liabilities</b>		<b>119,861</b>	<b>118,056</b>
Interest-bearing loans	17	51,054	32,907
Trade debts	18	61,656	57,817
Tax liabilities		5,149	5,963
Employee related liabilities		12,130	13,357
Other liabilities	18	9,518	9,709
<b>Current liabilities</b>		<b>139,507</b>	<b>119,753</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>471,394</b>	<b>443,734</b>

## Deceuninck consolidated statement of changes in equity

In thousands of euro	Issued Capital	Share premiums	Consolidated reserves	Treasury shares	Currency translation adjustments	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total
<b>Balance per 31 December 2009</b>	<b>42,495</b>	<b>46,355</b>	<b>131,512</b>	<b>-651</b>	<b>-23,497</b>	<b>196,214</b>	<b>1,221</b>	<b>197,435</b>
Profit (+) / loss (-) for the financial year			8,378			8,378	170	<b>8,548</b>
Other comprehensive income (+) / loss (-)					4,363	4,363	75	<b>4,438</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>0</b>	<b>0</b>	<b>8,378</b>	<b>0</b>	<b>4,363</b>	<b>12,741</b>	<b>245</b>	<b>12,986</b>
Other - Deferred taxes			1,402			1,402		<b>1,402</b>
Share-based payments			203			203		<b>203</b>
<b>Balance per 31 December 2010</b>	<b>42,495</b>	<b>46,355</b>	<b>141,495</b>	<b>-651</b>	<b>-19,134</b>	<b>210,560</b>	<b>1,466</b>	<b>212,026</b>

In thousands of euro	Issued Capital	Share premiums	Consolidated reserves	Treasury shares	Currency translation adjustments	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total
<b>Balance per 31 December 2010</b>	<b>42,495</b>	<b>46,355</b>	<b>141,495</b>	<b>-651</b>	<b>-19,134</b>	<b>210,560</b>	<b>1,466</b>	<b>212,026</b>
Profit (+) / loss (-) for the financial year			6,210			6,210	138	<b>6,348</b>
Other comprehensive income (+) / loss (-)					-12,387	-12,387	-228	<b>-12,615</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>0</b>	<b>0</b>	<b>6,210</b>	<b>0</b>	<b>-12,387</b>	<b>-6,177</b>	<b>-90</b>	<b>-6,267</b>
Revaluation treasury shares			-391	391		0		<b>0</b>
Share-based payments			166			166		<b>166</b>
<b>Balance per 31 December 2011</b>	<b>42,495</b>	<b>46,355</b>	<b>147,480</b>	<b>-261</b>	<b>-31,520</b>	<b>204,549</b>	<b>1,376</b>	<b>205,925</b>

## Deceuninck consolidated statement of cash flows

Ending on 31 December (in thousands of euro)	Notes	2010	2011
<b>Operating activities</b>			
Profit (+) / loss (-) for the financial year		8,548	6,348
Depreciations on (in)tangible fixed assets	6,8	28,174	24,872
Impairments on (in)tangible fixed assets	6,8	1,729	714
Provisions for pensions, restructuring and other risks & charges		811	-688
Impairments on current assets		2,208	1,042
Net financial charges	3	14,976	14,006
Profit on sale of tangible fixed assets	3	-235	-174
Loss on sale of tangible fixed assets	3	127	267
Income taxes	4	881	1,960
Share-based payment transactions settled in equity		203	166
<b>Cash flow from operating activities before movements in working capital and provisions</b>		<b>57,422</b>	<b>48,513</b>
Decrease/(increase) in trade receivables and other receivables		-11,429	622
Decrease/(increase) in inventories		-4,875	-13,512
Increase/(decrease) in trade debts		4,689	-1,623
Decrease/(increase) in other non-current assets		376	259
Decrease/(increase) in other current assets		-1,878	-696
Increase/(decrease) in other non-current liabilities		349	-1,443
Increase/(decrease) in other current liabilities		414	570
<b>Cash flow generated from operating activities</b>		<b>45,068</b>	<b>32,690</b>
Interest received		1,862	1,209
Income taxes paid		-4,579	-4,357
<b>Cash flow from operating activities</b>		<b>42,351</b>	<b>29,542</b>
<b>Investing activities</b>			
Cash receipts on sale of tangible fixed assets		3,749	705
Purchases of tangible fixed assets	8	-15,481	-21,783
Purchases of intangible fixed assets	6	-162	-99
Other transactions		-392	-123
<b>Cash flow from investing activities</b>		<b>-12,286</b>	<b>-21,300</b>

<b>Financing activities</b>			
Repayments of long-term debts	17	-21,976	-23,955
Repayments (-) / New (+) short-term debts	17	-6,216	753
Interest paid		-7,629	-7,891
Other financial items		1,061	6,156
<b>Cash flow from financing activities</b>		<b>-34,760</b>	<b>-24,937</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-4,695</b>	<b>-16,695</b>
<b>Cash and cash equivalents as per 1 January</b>	13	<b>50,902</b>	<b>43,856</b>
Impact of exchange rate fluctuations		-2,351	-2,718
<b>Cash and cash equivalents as per 31 December</b>	13	<b>43.856</b>	<b>24,443</b>

## Notes

### 1. Significant accounting principles

*The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS), as endorsed by the European Union. The consolidated financial statements were determined by the Board of Directors on 27 March 2012. They can still be modified until the General Meeting of Deceuninck NV takes place, which is scheduled to be held on 8 May 2012.*

#### Basis of presentation

*The consolidated financial statements are presented in thousands of euro, unless noted otherwise. These statements have been prepared on the basis of the historic cost price method, except for the valuation of the fair value of derivatives and of financial fixed assets held for sale. The consolidated financial statements present the financial position on 31 December 2011. They have been prepared prior to the*

*distribution of profits proposed by the parent company at the General Meeting of Shareholders.*

#### Consolidation principles

*The consolidated financial statements include the individual financial statements of Deceuninck NV and its subsidiaries ("the Group"). A subsidiary is understood to be an entity in which Deceuninck NV holds, either directly or indirectly, more than half of the shares with voting rights, or whose activities are, either directly or indirectly, controlled by Deceuninck NV. The acquisition of subsidiaries is accounted for under the acquisition method. The annual reporting date of subsidiaries is identical to that of the parent company. The same valuation principles apply to their financial statements.*

*Associated companies are companies in which Deceuninck NV exercises, either directly or indirectly significant influence, without controlling them. This is generally the case if the Group holds between 20% and 50% of the shares with voting rights. Associated companies are consolidated using the equity method, from the date the significant influence begins until the date it ends. If the Group's*

share in the losses exceeds the carrying value of the associated company, then this value is reduced to zero and the losses exceeding this amount are not recognized, except when the Group has contractual obligations relating to this company. On 31 December 2010 and 31 December 2011, the Group does not own any associated companies. A list of the subsidiaries of Deceuninck NV is disclosed in Note 26 of these financial statements.

### **Use of estimates and assumptions**

In order to produce the annual financial statements in accordance with the IFRS standards, management has to use a number of estimates and assumptions, that have an impact on the amounts disclosed in the financial statements. The estimates made on the reporting date reflect the existing conditions on this date, such as market prices, interest rates and foreign exchange rates. Even though management makes these estimates based on its best possible knowledge of current business transactions, and of the transactions the Group may undertake, the actual results can vary in relation to these estimates.

#### **Use of assumptions**

In accordance with the Group's accounting principles, the following assumption has been made:

##### *Provision for early retirement*

The Company considers it has a constructive obligation, and that the existing collective labour agreement will be renewed on an ongoing basis.

#### **Use of estimates**

The most important estimates that are likely to have a significant influence on the net carrying value of assets and liabilities for the coming year relate to:

##### *Impairment of goodwill*

Goodwill relating to business combinations is assessed on an annual basis by means of an impairment test. This test requires an estimate of the value in use of cash-generating units, to which the goodwill is attributed. The estimation of the value in use requires an estimate of expected future cash flows of the cash-generating units and the choice of an appropriate discount rate in order to

determine the present value of these cash flows. For more details on this subject, please see Note 7.

##### *Employee benefits – Pension schemes*

The costs of the granted pension schemes and the current value of the pension obligations are determined on the basis of an actuarial calculation. The actuarial calculation uses assumptions with regard to the discount rate, expected yield of the pension funds, future increases in compensation, mortality tables and future increases in pensions. All the assumptions are reassessed on the reporting date. Further details with regard to these assumptions are documented in Note 15.

##### *Employee benefits - Share-based payments*

The Group values the cost of the stock option and warrant plans granted to employees on the basis of the actual value of the instruments, on the date they are granted. The estimation of the fair value of compensations in shares requires an adapted valuation model, which depends on the condition under which the grant is made. The valuation model also requires adapted input data, such as the expected life of the option, the volatility of the share price and the dividend yield. The assumptions and the valuation model used for the estimation of the actual value of compensations in shares are explained in Note 19.

##### *Deferred tax assets*

Deferred tax assets related to tax losses carry forward are only recognized if it is probable that sufficient taxable profits will be generated in the future. Significant estimates are required from management in order to determine the amount of the deferred tax assets, based on the time period and the level of future taxable profits. More details on this subject are provided in Note 4.

### **Foreign currencies**

#### **Transactions in foreign currencies**

The Group's reporting currency is the euro. Transactions in foreign currencies are accounted for using the end of month exchange rate (exchange rate determined by the European Central Bank (ECB) on the last day of the preceding month). Monetary assets and liabilities in foreign currencies are converted using the ECB exchange rate on the balance sheet date. Profits and losses resulting from foreign

currency to euro and the conversion of monetary assets and liabilities into foreign currencies, are recognized in the consolidated income statement as operating result or financial result, depending on the nature of the transaction. Non-monetary assets and liabilities are converted to euro using the historic exchange rate (exchange rate applicable for that month in which the transaction occurs). Assets and liabilities from foreign subsidiaries are converted to euro on balance sheet date, using the ECB exchange rates applicable on that date. The income statements of foreign subsidiaries are converted into euro at annual exchange rates, which approximate the exchange rates applicable on the transaction date. The components of equity are converted at their historic exchange rate. Exchange rate differences, caused by the conversion of equity into euro at the closing rate

applicable on the balance sheet date, are disclosed as "Currency translation adjustments" under the heading "Equity".

#### **Exchange rates**

The following exchange rates were used for the establishment of the financial statements:

1 euro is equal to	Closing rate 2010	Closing rate 2011	Average rate 2010	Average rate 2011
USD	1.3362	1.2939	1.3184	1.3917
GBP	0.8608	0.8353	0.8554	0.8678
PLN	3.9750	4.4580	4.0036	4.1187
CZK	25.0600	25.7870	25.2526	24.5890
RUB	40.3331	41.6714	40.1014	40.8797
HRK	7.3830	7.5370	7.2944	7.4384
BGN	1.9558	1.9558	1.9558	1.9558
THB	40.1700	40.9910	41.7098	42.4247
RON	4.2620	4.3233	4.2152	4.2386
LTL	3.4528	3.4528	3.4528	3.4528
TRY	2.0491	2.4438	1.9817	2.3351
AUD	1.3136	1.2723	1.4362	1.3482
RSD	105.2000	106.8000	103.4245	102.2642
BAM	1.9558	1.9558	1.9558	1.9558



## **Intangible fixed assets other than goodwill**

### **Patents and licenses**

*Expenditure for acquired patents and licenses are capitalized at their cost price, reduced by the cumulative amortization and impairment, and are subsequently amortized over their estimated useful life using the straight-line method, or over the term of the contract, if this should be shorter. The useful life is usually estimated at 3 years. The useful life of patents recognized in North America is estimated at 15 years.*

### **Research and development**

*Research expenditure, incurred with the purpose of acquiring new scientific or technological knowledge, is included in the income statement. The cost of development activities, for which the results are applied in a plan or a design for the production of new or substantially improved products and processes, are capitalized if and only if all the criteria defined in IAS 38 are met. Such capitalized costs include directly attributable costs of creating, producing or making ready for use (such as raw materials, direct labour costs and a part of the overhead costs that are directly attributable), less the accumulated amortization and impairment. These costs are currently amortized on a straight-line basis over their estimated useful life of 5 years.*

### **Other intangible fixed assets**

*Other intangible fixed assets acquired by the Group are recognized at their cost price, less accumulated amortization and impairment. These costs are currently amortized on a straight-line basis over their estimated useful life. Costs relating to internally generated goodwill and brands are expensed as incurred. Intangible fixed assets, having an infinite useful life or which are not available for use, are subject to an annual impairment test.*

### **Subsequent expenditures**

*Expenditures relating to intangible fixed assets, subsequent to their purchase or completion, are only capitalized if they increase the future economic benefits specific to the asset they relate to. All other expenditures are considered as costs.*

### **Goodwill**

*Goodwill is the positive difference between the cost of the business combination and the share of the Group in the fair value of the acquired identifiable net assets of a subsidiary or associated company at the moment of acquisition. Goodwill is not amortized, but is subject to an annual impairment test. Goodwill is expressed in the currency of the related company and is converted into euro at the closing exchange rate on the balance sheet date.*

### **Tangible fixed assets**

*Tangible fixed assets are recognized at historic cost price, less accumulated depreciation and impairment. Historic cost is the initial purchase price plus any other directly attributable acquisition costs (such as non-recoverable taxes and transportation costs). The cost price of fixed assets produced by the company itself (such as tool sets) includes the cost price of materials, direct labour costs and a proportion of production related overhead costs. Subsequent expenditure is only capitalized, if it increases the future economic benefits of the fixed assets it relates to. Repair and maintenance costs, which do not increase future economic benefits, are expensed as incurred.*

*Depreciation is calculated using the straight-line method, starting from the first date of use over the entire duration of their expected useful life.*

The expected economic useful life is determined as follows:

Assets	
Buildings	40 years
Building fixtures and furniture	10-20 years
External infrastructure	20-40 years
Machinery and equipment	8-20 years
Small equipment	5 years
Screws and cylinders	6 years
Dies and calibrators (tool sets)	5 years
Installations	10-25 years
Office equipment	4-10 years
Logistics equipment	8 years
Furniture	10 years
Vehicles	4-5 years

Land, which is deemed to have an infinite useful life, is not depreciated.

#### *Fixed assets held for sale*

Assets held for sale relate to assets or groups of assets that will be disposed of. These assets are valued at the lower of carrying value or fair value less costs to sell. The same valuation principle applies for business units held for sale.

#### **Leasing**

Financial lease contracts, for which the Group bears the majority of the risks and benefits inherent to the ownership of the leased property, are recognized as tangible fixed assets at the present value of their minimum lease payments, at the moment when the lease contract was entered into, or at market value if lower. Lease payments are partly considered as financial costs and partly as reimbursement of the lease debt. This results in a flat interest charge over the entire lifetime of the contract, compared to the capital to be repaid. Financial charges are offset directly against revenue. Lease contracts, for which the lessor retains the majority of the risks and benefits of the assets, are considered as operational leases. Payments made under an operational lease are expensed, on a straight-line basis over the entire term of the contract.

#### **Financial instruments**

##### *Fair value of financial instruments*

The following methods and principles are applied in estimating the fair value of financial instruments:

- For investments in non-listed companies, for which reliable fair value cannot be defined, the fair value calculation is based on historic cost, adjusted for any possible impairments;
- For investments in listed companies, the fair value is equal to their share price on an official stock exchange;
- For other long-term financial assets (excluding derivative products), the historic cost is deemed to approach the estimated fair value;
- For trade receivables, trade debts and other current assets and liabilities, the recorded book values are an approximation of their fair value, given their short life span;
- For cash and cash equivalents, the book values recorded are an approximation of their fair value, given their short life span;
- For long-term interest-bearing financial debts subject to floating interest rates, the historic cost is assumed to approach the fair value;
- For long-term interest-bearing financial debts subject to fixed interest rates, the fair value is defined on the basis of the present value of future cash flows;
- For derivative financial instruments, fair values are determined based on market valuation reports provided by the issuing financial institutions.

##### *Criteria relating to the initial recognition or derecognition of financial assets and liabilities*

Financial instruments are recognized initially when the Group subscribes to the related contractual provisions. Purchases and sales of financial assets are recognized on the transaction date. Financial assets (or parts thereof) are derecognized, when the Group exercises their contractual rights, when these rights mature, when the Group renounces them, or when the Group loses control of the contractual rights associated with the financial assets. Financial liabilities (or parts thereof) are derecognized, if the obligation stipulated in the contract is withdrawn, cancelled or expired.

#### **Criteria for offsetting financial assets and liabilities**

A financial asset and a financial liability are offset and the net amount is recorded in the balance sheet, if there is a legally enforceable right to offset the recognized amounts, and if there is an intention to settle the liability and simultaneously realize the asset or to settle the liability on a net basis.

#### *Financial fixed assets*

All financial assets are initially recognized at their cost price plus the cost of acquisition of such an investment. The Group primarily owns financial assets which are available for sale. Unrealized profits or losses, resulting from changes in the fair value of financial assets available for sale, are directly recognized in other comprehensive income within the equity until the asset is sold, cashed in or disposed of, or when the financial asset is subject to an impairment. At that time, the accumulated profits and losses previously booked in equity are recognized in the income statement of the related period. Reversals of impairments booked in relation to shares will not be recorded in the income statement.

#### *Financial assets valued at fair value through the income statement*

Financial assets valued at fair value through the income statement consist of financial assets that are held for trading purposes or financial assets that are initially recognized at fair value through the income statement. Financial assets held for trading purposes are those acquired with the objective of selling them in a short-term notice. This category also contains derivative financial instruments, which do not fulfil the criteria of IAS 39 for "hedge accounting". Unrealized profits or losses, resulting from the changes in the fair value of financial assets held for trading, are directly booked in the income statement.

#### *Held to maturity investments*

Held to maturity investments, such as bonds, are valued at their amortized cost, which is determined by the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Profits and losses are recognized in the income statement when the investments are derecognized or impaired as well as through the amortization process.

#### *Trade receivables*

Trade receivables are booked at their nominal value less possible provisions for bad debt. When recovery of the full amount becomes improbable an estimate is made of the provisions for bad debt. Provisions for bad debts are recognized in the income statement of the period during which they are identified.

#### *Cash and cash equivalents*

Cash and cash equivalents consist mainly of cash in hand, short-term deposits and short-term investments (maturing within three months after their acquisition date) which are readily convertible into cash and which are subject to a limited risk of changes in value. Within the cash flow statement, cash and cash equivalents include bank balances (current and deposit accounts). Any negative cash position is presented net of short-term debts with financial institutions ("bank overdrafts").

#### *Interest bearing loans*

Interest bearing financial debts are initially valued at the fair value of the remuneration received minus any costs related to the transaction. After the initial recognition interest-bearing financial debts are valued at their amortized cost. The difference between the amortized cost and the repayment value is expensed over the duration of the loan based on the effective interest rate method or until the debt is no longer held.

#### **Derivative financial instruments**

The Group uses derivative financial instruments (mainly forward contracts and purchased interest and FX-options) in order to limit the risks associated with interest and exchange rate fluctuations. The Group's policy prohibits the use of these instruments for speculative purposes.

Derivative financial instruments are classified as either "fair value" hedges, if these instruments hedge changes in the fair value of recognized assets and liabilities, or as "cash flow" hedges, if they cover cash flow variations associated with a specific risk in relation to a recognized asset or liability or an expected transaction. For fair value hedges which meet the special requirements in order to be recognized as a hedge transaction, profits or losses resulting from the revaluation of the fair value hedging instrument are directly recorded through profit or loss.

*Attributing gains or losses, on the hedged debt position to the hedged risk, leads to an adjustment of the book value of the hedged debt position and should be recorded through profit or loss. If the adjustment is associated with the book value of an interest bearing financial debt it is amortized until it is entirely amortized upon maturity.*

*For cash flow hedges on the Group's firm commitments, which satisfy the special requirements for recognition as hedging transaction, the proportion of the profit or loss on the hedge instrument considered as an effective hedge is recorded through other comprehensive income and the non-effective proportion is recorded through profit or loss. Financial instruments, not meeting the special requirements for recognition as a hedging transaction are valued at their fair value, and any profit or loss resulting from a change in the fair value of the instrument is directly expensed. As per 31 December 2011 and during 2011 there were no derivative financial instruments designated as fair value hedges or cash flow hedges. As such, no hedge accounting was applied in 2011.*

### **Inventories**

*Inventories are valued at the lower of cost price or realizable value. The realizable value is defined as the estimated selling price under normal operating conditions net of any estimated costs for handling and selling the product. Costs incurred in bringing each product to its current location and conditions are recorded as follows:*

- *Raw materials – purchase price, based on the FIFO principle;*
- *Finished goods and work in process – direct material and labour costs, plus a part of the general production costs, based on normal production capacity;*
- *Trade goods – purchase price, based on the FIFO principle.*

### **Treasury shares**

*The amount paid, including any directly attributable expenses, for treasury shares acquired by the Company is deducted from equity.*

### **Impairments**

*The Group's assets, excluding inventories and deferred tax assets, are assessed for impairment indicators at each balance sheet date. If impairment indicators are present, the recoverable amount of the asset is estimated. An impairment is recognized, if the carrying value of an asset, or that of the cash-generating unit to which it belongs, is higher than its recoverable amount. Impairments are recorded in the income statement.*

#### *Financial assets*

*The realizable value of held-to-maturity financial assets and of receivables is calculated as the net present value of expected, future cash flows, discounted at the initial effective interest rate inherent to these assets.*

*Impairments on held-to-maturity investments or receivables are reversed if a subsequent increase in their realizable value can be objectively associated with an event arising after the recognition of an impairment loss.*

#### *Non-financial fixed assets*

*The recoverable amount of other assets is the higher of their fair value less cost to sell or its value in use of the corresponding assets. In order to determine the value in use, the net present value of expected future cash flows is calculated using a pre-tax discount rate, which reflects both current market rates and the asset's specific inherent risks. When an asset does not generate cash flows, that are largely independent of the other assets, the recoverable amount of the cash-generating unit to which this asset belongs, is determined.*

*Impairments relating to goodwill are not reversed. Impairments of other assets are reversed, if a change takes place in the estimates used to determine the recoverable amount. An increase in the carrying value of an asset, resulting from the reversal of an impairment, cannot be higher than the carrying value (after depreciation) that would have been obtained, if no impairments had been recorded for this asset in previous years.*

## **Provisions**

*Provisions are accounted for whenever the Group has to settle a legal or constructive obligation resulting from a past event, when it is probable that a cash outflow will be required to settle these obligations, and to the extent that these can be reliably estimated.*

*When the Group expects that all or part of the expenditure, which is required to settle legal obligations, will be reimbursed by another party, the amount to be reimbursed will only be recognized as an asset if it is practically certain that they will be effectively collected. A warranty provision is established for all products under warranty, based on historical data relating to repairs and returns of goods.*

## **Employee benefits**

### **Pension**

*The Group participates primarily in defined contribution plans, and has one defined benefit plan in its German subsidiary. The funds of these plans consist of employer and employee contributions. The Group treats the employer and employee contributions for the defined contribution plans as expenses for the year in which they were made. For defined benefit plans, the pension obligation is estimated by using the projected unit credit method. This method considers each period of service as a separate unit, which offers entitlement to an additional unit of pension benefits. Under this method, pension costs are recorded in the income statement, distributing these costs evenly over the remaining service time of employees contributing to the plan, based on recommendations from actuaries, who perform a complete pension plan valuation at least once a year. The amounts recognized in the income statement include any increase in the current value of guaranteed pension rights, interest charges, the expected return on pension funds, actuarial profits or losses and costs recognized over the period of the working career.*

*Pension obligations are recognized in the balance sheet by calculating the present value of estimated future cash outflows, using the interest rates of high quality corporate bonds with a similar duration as the pension obligation, after the incorporation of actuarial profits and losses that had not yet been recognized,*

*after deduction of costs which have not yet been recognized for the remaining service period and the fair value of the fund's assets. Actuarial profits and losses comprise the effects of differences between previous actuarial assumptions and current actuarial assumptions, and the modifications made to them. All actuarial profits and losses of more than 10% of the fair value of pension fund assets, or the present value of future obligations if this value is higher, are expensed over the average remaining service period of the employees contributing to the fund. Other actuarial profits and losses are not recognized.*

*If these calculations result in a benefit for the Group, the recognized assets will be limited to the net total of all the unrecognized actuarial losses, costs of past service periods and the present value of all pension plan reimbursements, or reductions in future contributions to the plan. The Group also has a present obligation for early retirement, that is accessible to all members of personnel. These obligations are recognized by calculating the present value of future amounts payable to the employees within the scope of this plan.*

### **Share-based payments**

*Various stock option and warrant programs enable the Group's executives, senior management and the CEO to acquire company shares. The exercise price for options or warrants is equal to the market price of the underlying shares on the grant date. Equity is increased respectively by the amounts received or the exercise price, when such options or warrants are exercised. The cost of share-based payment transactions is valued at fair value on the grant date. The fair value is determined by an expert, using a binominal tree structure. The cost of share-based payment transactions and at the same time as the corresponding increase in equity, is recognized over the vesting period.*

*If the conditions of equity settled share-based payment transactions are modified, the minimal cost equals the cost as if the conditions had not been changed. An additional cost is recognized for any modification which increases the fair value of share-based payment transaction or includes a benefit for the employee as of the date of modification (IFRS 2.28).*

*When a share-based payment is cancelled, then this is considered as a compensation that was granted on the date of cancellation and the relating unamortized cost is immediately recognized. However, if a new share-based*

payment is granted as a replacement for the cancelled compensation and if this is recorded as a replacement compensation on the grant date, then the cancelled and the new compensations are treated as a modification of the original share-based payment transaction, as described in the preceding paragraph.

#### **Bonuses**

Contractual bonuses are granted based on planned key financial objectives and personal performances. The estimated amount of the bonus is recognized as a cost, based on an estimate as of the balance sheet date.

#### **Sales**

Sales (which consists primarily of the sales of goods) are considered to be earned when it is probable that the economic benefits associated with the transaction will be received by the Group, if the amount of revenue can be reliably determined, when the risks and rewards of the sale are entirely transferred to the purchaser, and when there is no longer uncertainty in terms of the collection of the consideration, the transaction costs and any possible return of the goods.

#### **Government grants**

Government grants are recognized at their fair value, when there is reasonable assurance that they will be received and that the Group will fulfil all of the conditions attached to them. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income.

#### **Borrowing costs**

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset.

#### **Income taxes**

Income taxes include current and deferred taxes. Taxes are recognized in the income statement, unless they are associated with items that are booked immediately to equity. In that case, the corresponding tax is recognized directly against equity. Current taxes include the expected amount payable on taxable earnings for the period, along with adjustments of fiscal liabilities for previous years. A taxable earnings calculation for the year is based on the tax rates applicable on the reporting date. Deferred taxation is calculated in accordance with the liability method, for all temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. The calculation is based on rates of taxation for which the legislative process has been (largely) completed on the reporting date. Under this method, the Group also has to calculate deferred tax on the difference between the fair value of the net assets acquired and their tax base as a result of a new acquisition. Deferred tax assets are only recognized if it is probable that sufficient taxable profits will be generated in the future in order to use the tax benefit. The carrying amount of a deferred tax asset is reduced, when it becomes unlikely that the relating tax benefit will be realized.

#### **Financial income/charges**

Interest income includes interest earned on loans granted to third parties or bank deposits, and interest charges include interest due on loans contracted by the Group. Recorded interest is based on the "effective interest" method. Financial income or charges, next to realized and unrealized exchange rate gains or losses related to interest-bearing loans and deposits, also include recorded gains or losses due to a revaluation of the fair value of financial derivatives, which are considered as "fair value" hedging instruments if the hedged risks are of a financial nature, or if financial instruments do not meet the special "hedge accounting" requirements.

## Changes to accounting standards

As per 1 January 2011 the Group has applied the following new and adjusted IFRS-standards and IFRIC-interpretations:

### *IAS 24 – Related Party Disclosures*

The amendment clarifies the definition of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. This amendment did not have any impact on its current disclosures on related parties.

### *IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues*

The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment did not have any impact on the financial position or performance of the Group.

### *IFRIC 14 – Prepayments of a Minimum Funding Requirement*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service costs by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements. The amendment did therefore not have any impact on the financial position or performance of the Group.

### *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this fair value cannot be reliably measured, the instruments are measured at the fair value of the liability

extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.

### *Improvements to IFRSs (issued May 2010)*

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available to non-controlling interest have been amended. Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 3 Business Combinations: Clarifies that contingent consideration arising from a business combination prior to the adoption of IFRS 3 (as revised in 2008) is accounted for in accordance with IFRS 3 (2005).
- IFRS 3 Business Combinations: Clarifies un-replaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination.
- IFRS 7 Financial Instruments: Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and to improve disclosures by requiring qualitative information to put the quantitative information in context.
- IAS 1 Presentation of Financial Statements: The amendment clarifies that the option to present an analysis of each component of other comprehensive income may be included in either the statement of changes in equity or in the notes to the financial statements.
- IAS 27 Consolidated and Separate Financial Statements: Clarifies the transition requirements for amendments made as a result of amended IAS 27 to consequentially amended standards.



- IFRIC 13 Customer Loyalty Programmes: Clarifies that in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or the performance of the Group.

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

The following standards and interpretations were issued at the date of the establishment of the financial statements, but were not yet effective on the balance sheet date:

- IFRS 7 Financial Instruments: Disclosures – Amendment to Disclosures, effective 1 July 2011
- IFRS 9 Financial Instruments<sup>1</sup>, effective 1 January 2013
- IFRS 10 Consolidated Financial Statements<sup>1</sup>, effective 1 January 2013
- IFRS 11 Joint Arrangements<sup>1</sup>, effective 1 January 2013
- IFRS 12 Disclosure of Interests in Other Entities<sup>1</sup>, effective 1 January 2013
- IFRS 13 Fair Value Measurement<sup>1</sup>, effective 1 January 2013
- IAS 1 Presentation of Financial Statements<sup>1</sup>, effective 1 July 2012
- IAS 12 Income Taxes – Recovery of Tax Assets<sup>1</sup>, effective 1 January 2012
- IAS 19 Employee Benefits<sup>1</sup>, effective 1 January 2013

The Group has examined these changes and is currently assessing the results. The Group anticipates that these changes will have no material effect on the financial statements.

(1) Not yet endorsed by the EU as per 30 September 2011

## 2. Segment information

An operating segment is a separate business unit in the Group, which produces goods or provides specific services within a defined economic environment, whose risks and profitability differ from those of the other operating segments. Three segments have been defined based on the location of legal entities. They include the following countries:

1. Western Europe: Benelux, France, Spain, Italy, Germany and the United Kingdom;
2. United States;
3. Central Europe, Eastern Europe, Asia and Australia: Bulgaria, the Balkan countries, Lithuania, Poland, Russia, the Czech Republic, Roumania, Turkey and Thailand.

There are no operational segments aggregated in order to establish the above segments.

Transfer prices between the operational segments are based on an “at arm’s length basis” equal to transactions with third parties.

The accounting policies for the operational segments are equal to these of the consolidated financial statements.

The Group monitors the performance of its operational segments based on sales and operating result per segment.

Segment information includes the results attributed to a segment, either directly or on a reasonable basis.



	Western Europe		United States		Central Europe, East- ern Europe, Asia and Australia		Consolidated	
In thousands of euro	2010	2011	2010	2011	2010	2011	2010	2011
Sales	423,726	413,015	70,190	56,600	249,310	228,640	<b>743,226</b>	<b>698,255</b>
Intra-group sales	-162,917	-145,616	-19	-24	-22,532	-16,486	<b>-185,468</b>	<b>-162,126</b>
Net sales	260,809	267,399	70,171	56,576	226,778	212,154	<b>557,758</b>	<b>536,129</b>
Share in consolidated net sales	46.8%	49.9%	12.6%	10.6%	40.7%	39.6%	<b>100%</b>	<b>100%</b>
Operating result	11,082	13,833	4,502	685	8,821	7,797	<b>24,405</b>	<b>22,315</b>
As a percentage of net sales	4.2%	5.2%	6.4%	1.2%	3.9%	3.7%	<b>4.4%</b>	<b>4.2%</b>

Sales of the two main product groups is presented in the table below:

	Window and door systems		Building products		Consolidated	
In thousands of euro	2010	2011	2010	2011	2010	2011
Net sales	485,249	466,432	72,509	69,697	<b>557,758</b>	<b>536,129</b>
Share in consolidated net sales	87.0%	87.0%	13.0%	13.0%	<b>100%</b>	<b>100%</b>

*There is no significant concentration of sales (>10%) with one or a limited number of Customers.*

### 3. Revenues and costs

Other operating income (in thousands of euro)	2010	2011
Grants received	187	295
Exchange rate gains	10,997	10,289
Decrease of provisions	0	688
Gains on disposal of tangible and financial fixed assets	235	174
Indemnity compensations received	868	368
Other	3,042	3,078
<b>Total</b>	<b>15,329</b>	<b>14,892</b>

The decrease in other operating income in comparison to 2010 is primarily due to a decrease in the exchange rate gains and the indemnity compensations received, partly compensated by a decrease in provisions.

The grants received consist primarily of ESF grants received.

The remainder of other operating income includes mainly compensation received from insurance companies and sale of scrap.

Other operating costs (in thousands of euro)	2010	2011
Restructuring costs	413	1,160
Exchange rate losses	11,156	10,670
Increase of provisions	811	0
Impairments	1,729	714
Loss on disposal of tangible and financial fixed assets	126	266
Other	1,780	2,065
<b>Total</b>	<b>16,015</b>	<b>14,875</b>

The decrease in other operating costs in comparison to 2010 is primarily due to the reduction of impairments, provisions and exchange rate losses, partly compensated by the increase of restructuring costs.

The impairments mainly relate to land and buildings, tools and other machinery. The remainder of other operating costs comprise for example contributions for non-active employees.

Financial income (in thousands of euro)	2010	2011
Interest income	957	911
Financial discounts - Suppliers	1,152	1,173
Exchange rate gains	11,101	11,185
Financial instruments – fair value	2,003	389
Other	496	130
<b>Total</b>	<b>15,709</b>	<b>13,788</b>

Financial charges (in thousands of euro)	2010	2011
Interest costs	12,414	10,730
Financial discounts - Customers	1,858	1,823
Exchange rate losses	14,618	13,235
Financial instruments – fair value	265	706
Bank costs	845	753
Other	685	548
<b>Total</b>	<b>30,685</b>	<b>27,795</b>

The financial result is 1.0 million euro better compared to 2010, mainly as a result of lower interest charges and positive exchange rate evolutions, partly compensated by a lower fair value of financial instruments.

Payroll costs and other social benefits (in thousands of euro)	2010	2011
Wages and salaries	91,835	84,941
Social security contributions	26,384	27,217
Contributions to defined contribution plans	1,488	1,547
Other payroll costs	2,936	2,808
<b>Total</b>	<b>122,643</b>	<b>116,513</b>

Number of employees on the balance sheet date	<b>2,821</b>	<b>2,735</b>
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The decrease of the payroll costs is mainly the result of the decreased production volumes.

Cost of goods sold (in thousands of euro)	2010	2011
Material costs	274,995	272,101
Payroll costs	66,545	61,916
Depreciation of tangible fixed assets	20,498	17,976
Other manufacturing costs	32,055	29,109
<b>Total</b>	<b>394,093</b>	<b>381,102</b>

Costs by category (in thousands of euro)	2010	2011
Material costs	274,995	272,101
Payroll costs	122,643	116,513
Depreciations	28,174	24,872
Other costs	106,855	100,345
<b>Total</b>	<b>532,667</b>	<b>513,831</b>

The decrease in total costs is explained by a decrease in the volume sold.

## 4. Income taxes

The breakdown of the income tax charge for the financial year 2011 is presented as follows:

In thousands of euro	2010	2011
<b>Income taxes</b>		
Income tax of the current financial year	4,033	3,686
Adjustments in respect of current income tax of previous years	546	671
Deferred taxes		
Origination and reversal of temporary differences	-1,150	-17
Utilization / recognition of deferred taxes on losses in the current financial year	-2,574	-2,272
Utilization / recognition of deferred taxes on losses in the previous financial years	349	0
Other deferred taxes	-323	-108
<b>Total income tax charge (+) / income (-) recognized in the income statement</b>	<b>881</b>	<b>1,960</b>
<b>Profit (+) / loss (-) before taxes</b>	<b>9,429</b>	<b>8,308</b>
Taxes at the statutory tax rate applicable to Deceuninck NV (33.99%)	3,205	2,824
Effects of various tax rates in other countries	-5,430	22
Disallowed expenses	923	869
Utilization of tax losses carry forward	-10	0
Utilization / recognition of deferred tax on losses from previous financial years, for which no deferred tax was recognized in previous years	-1,274	-678
Non-recognition of deferred taxes on losses in current financial year	3,066	2,359
Deferred taxes on temporary differences, for which no deferred tax was recognized in previous years	14	-80
Other (*)	387	-3,356
<b>Total income tax charge (+) / income (-) recognized in the income statement</b>	<b>881</b>	<b>1,960</b>
Effective tax rate	9.3%	23.6%

(\*) Other mainly relates to notional interest deduction at Deceuninck Coordination Center NV (in liquidation)

The following table gives an overview of the deferred taxes, after netting by legal entity as per 31 December 2010 and 2011:

In thousands of euro	2010	Change in income statement	Changes directly recognized in equity	Effect of foreign currency	Transfers	2011
<b>Deferred tax assets</b>						
Tax effect of tax losses carry forward	21,875	2,271		6		24,152
Deferred taxes on tangible fixed assets	-10,888	-438		10	512	-10,804
Deferred taxes on gains on disposal	-415	51				-364
Deferred taxes on provisions	1,297	145				1,442
Deferred taxes on inventories	1,038	-24		-7	-235	772
Deferred taxes on other assets	1,568	-444	113	-4	-222	1,011
<b>Deferred tax assets</b>	<b>14,475</b>	<b>1,561</b>	<b>113</b>	<b>5</b>	<b>55</b>	<b>16,209</b>
<b>Deferred tax liabilities</b>						
Tax effect of tax losses carry forward	-3,675					-3,675
Deferred taxes on tangible fixed assets	9,849	-295		-541	512	9,525
Deferred taxes on provisions	-1,108	-532		131		-1,509
Deferred taxes on inventories	-47	-74		28	-235	-328
Deferred taxes on other liabilities	44	66		-11	-222	-123
<b>Deferred tax liabilities</b>	<b>5,063</b>	<b>-835</b>		<b>-393</b>	<b>55</b>	<b>3,890</b>
<b>Net deferred tax liabilities (assets)</b>	<b>-9,412</b>	<b>-2,396</b>	<b>-113</b>	<b>-398</b>	<b>0</b>	<b>-12,319</b>

Reconciliation with the deferred taxes shown in the consolidated balance sheet:

In thousands of euro	2010	2011
Deferred tax assets	14,475	16,209
Deferred tax liabilities	5,063	3,890
<b>Net deferred tax liabilities (assets)</b>	<b>-9,412</b>	<b>-12,319</b>

In 2011, the Group recognized deferred tax assets for tax losses carry forward, for which utilization depends on future taxable profits. The total amount of this deferred asset amounted to 27,827 thousand euro at the end of 2011. The budgets provide adequate assurance that the company will generate sufficient taxable profits in the near future in order to utilize the deferred tax assets recognized. The Group has no deferred taxes recognized on tax losses carry forward in the United Kingdom, the United States, the Czech Republic, Poland and Russia in current and previous financial years.

## 5. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year, attributable to ordinary shareholders by the weighted average number of ordinary shares, excluded ordinary shares purchased by the Group and held as treasury shares. This results in a net profit per share of 0.06 euro.

In thousands of euro	2010	2011
Earnings (+) / losses (-) attributable to ordinary shareholders	8,378	6,210
Weighted average number of ordinary shares (in thousands)	107,533	107,533
<b>Earnings (+) / losses (-) per share (in euro)</b>	<b>0.08</b>	<b>0.06</b>

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders, adjusted for the effect on the outcome of the potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all potential shares leading to dilution. The potential dilution arises from warrants granted to executives, directors and the CEO. This calculation still leads to a net profit per share of 0.06 euro since the potential shares to issue as a result of the allocation of warrants is not material compared to the existing shares.

In thousands of euro	2010	2011
Earnings (+) / losses (-) attributable to ordinary shareholders	8,378	6,210
Weighted average number of ordinary shares (in thousands)	107,533	107,533
Dilution effect of non-exercised warrants (in thousands)	790	1,197
Weighted average number of shares after dilution (in thousands)	108,323	108,730
<b>Diluted earnings (+) / losses (-) per share (in euro)</b>	<b>0.08</b>	<b>0.06</b>

## 6. Intangible fixed assets, other than goodwill

Amortization of intangible assets other than goodwill is included in cost of goods sold. Intangible assets with indefinite useful lives were tested for impairment and relate mainly to the trade name Winsa. For these assets there is no foreseeable end of the cash generating period. The net carrying value of this asset is 2,074 thousand euro. During 2011, approximately 263 thousand euro was expensed in research and development costs.

In thousands of euro	Patents, licenses and similar rights	Development costs	Total
<b>Acquisition value</b>			
Balance at the end of 2009	17,679	1,146	18,825
Acquisitions	162		162
Disposals	-3		-3
Various transfers	153		153
Effects of changes in foreign currencies	729	17	746
Balance at the end of 2010	18,720	1,163	19,883
<b>Amortizations and impairments</b>			
Balance at the end of 2009	-12,237	-1,146	-13,383
Additions	-1,275		-1,275
Disposals	3		3
Effects of changes in foreign currencies	-478	-17	-495
Balance at the end of 2010	-13,987	-1,163	-15,150
<b>Intangible fixed assets</b>			
At original cost	18,720	1,163	19,883
Accumulated amortizations and impairments	-13,987	-1,163	-15,150
<b>Net carrying value</b>	<b>4,733</b>	<b>0</b>	<b>4,733</b>

In thousands of euro	Patents, licenses and similar rights	Development costs	Total
<b>Acquisition value</b>			
Balance at the end of 2010	18,720	1,163	19,883
Acquisitions	99		99
Disposals	-59		-59
Various transfers	174		174
Effects of changes in foreign currencies	-395	7	-388
Balance at the end of 2011	18,539	1,170	19,709
<b>Amortizations and impairments</b>			
Balance at the end of 2010	-13,987	-1,163	-15,150
Additions	-1,023		-1,023
Disposals	56		56
Effects of changes in foreign currencies	-157	-7	-164
Balance at the end of 2011	-15,111	-1,170	-16,281
<b>Intangible fixed assets</b>			
At original cost	18,539	1,170	19,709
Accumulated amortizations and impairments	-15,111	-1,170	-16,281
<b>Net carrying value</b>	<b>3,428</b>	<b>0</b>	<b>3,428</b>

## 7. Goodwill

In thousands of euro	2010	2011
<b>Acquisition value</b>		
Balance at the end of previous period	57,208	59,536
Effects of changes in foreign currencies	2,328	1,205
Balance at the end of current period	59,536	60,741
<b>Impairments</b>		
Balance at the end of previous period	-46,365	-48,676
Effects of changes in foreign currencies	-2,311	-1,259
Balance at the end of current period	-48,676	-49,935
<b>Goodwill</b>		
Acquisition value	59,536	60,741
Impairments	-48,676	-49,935
<b>Net carrying value</b>	<b>10,860</b>	<b>10,806</b>

The application of IFRS 3 "Business combinations" stipulates that all identifiable assets and liabilities should be recognized at their fair value at the moment of acquisition. All differences between the cost of the business combination and the fair value defined at the time of the acquisition should be attributed to goodwill and any potential remaining differences in equity.

The cash-generating units are defined at the level of the individual entities, for which goodwill has been recognized. In practice, this generally refers to the geographic region, meaning that, except for Belgium, there is only one operational unit per country. The recoverable amount retained in these cases is the value in use.

The net carrying value of goodwill is allocated as follows:

Cash-generating unit In thousands of euro	2010	2011
Turkey	9,613	9,559
Belgium (Detajoint)	1,247	1,247
<b>Net carrying value</b>	<b>10,860</b>	<b>10,806</b>

At 31 December 2011, the net carrying value of goodwill amounts to 9.6 million euro for Turkey and 1.2 million euro for Belgium. This carrying value remained virtually unchanged in comparison to 2010.

In accordance with IAS 36, goodwill is not amortized but is subject to an annual impairment test. This test was performed at 31 December 2011.

The goodwill impairment test for Belgium, did not result in an impairment. The goodwill resulting from the acquisition of Detajoint is included in the largest cash-generating unit of the Group, Belgium and is considered insignificant in this cash-generating unit as a whole.

The goodwill impairment test for Turkey did not lead to the recognition of an impairment on 31 December 2011. The recoverable amount of the Turkish cash-generating unit was determined by calculating the value in use, based on budgeted future cash flows until the year 2017.

Key parameters for determining the future cash flows are the evolution of sales growth and the sales margin (based on assumptions related to sales prices and cost prices). These assumptions are based on the performance in recent years and on projections for the coming 6 years. One of the key assumptions is the discount rate that reflects the current assessment of market risks specific to the cash-generating unit. The discount rate was estimated based on the weighted average cost of capital (WACC) and is 8.4% (8.7% in 2010).

Both growth and expected profitability reflect the best estimate of management of the evolution of future volumes and sales margins considering all available information. In relation to the evolution of working capital, management assumes an improvement in working capital in line with the objectives of the



Group. The growth ratios of capital expenditure are expected to be between 3.5% and 4.7% over the period.

The corresponding test did not result in the recognition of goodwill impairments on 31 December 2011.

In relation to the assessment of the value in use of the cash-generating unit, management believes that a realistic change in any of the above parameters (including the discount rate, sales prices and sales margins evolution) should not result in a situation where the carrying value of the unit significantly exceeds its recoverable amount.

## 8. Tangible fixed assets and fixed assets held for sale

In thousands of euro	Land and buildings	Machines and equipment	Furniture and vehicles	Leased fixed assets	Other tangible fixed assets	Assets under construction	Total	Fixed assets held available for sale
<b>Acquisition value</b>								
Balance at the end of 2009	156,138	379,321	21,007	478	23	5,742	<b>562,709</b>	4,790
Acquisitions	1,462	9,321	661			3,757	<b>15,201</b>	280
Disposals	-152	-2,798	-939	-109			<b>-3,998</b>	-4,154
Other transfers	-9,174	2,511	36	178		-3,004	<b>-9,453</b>	9,300
Others	356						<b>356</b>	
Effects of changes in foreign currencies	3,964	10,144	319	27		130	<b>14,584</b>	8
Balance at the end of 2010	152,594	398,499	21,084	574	23	6,625	<b>579,399</b>	10,224
<b>Depreciations and impairments</b>								
Balance at the end of 2009	-39,949	-285,156	-16,780	-354	-5	-896	<b>-343,140</b>	-647
Additions	-4,619	-20,880	-1,305	-93	-2		<b>-26,899</b>	
Disposals	174	2,839	762	92			<b>3,867</b>	645
Impairments	-550	-1,148	-16				<b>-1,714</b>	-15
Other transfers	1,514	-904	8			896	<b>1,514</b>	-1,514
Effects of changes in foreign currencies	-834	-7,377	-223	-19			<b>-8,453</b>	
Balance at the end of 2010	-44,264	-312,626	-17,554	-374	-7	0	<b>-374,825</b>	-1,531
<b>Tangible fixed assets and fixed assets held for sale</b>								
At original cost	152,594	398,499	21,084	574	23	6,625	<b>579,399</b>	10,224
Accumulated depreciations and impairments	-44,264	-312,626	-17,554	-374	-7	0	<b>-374,825</b>	-1,531
<b>Net carrying value</b>	<b>108,330</b>	<b>85,873</b>	<b>3,530</b>	<b>200</b>	<b>16</b>	<b>6,625</b>	<b>204,574</b>	<b>8,693</b>

In thousands of euro	Land and buildings	Machines and equipment	Furniture and vehicles	Leased fixed assets	Other tangible fixed assets	Assets under construction	Total	Fixed assets held available for sale
<b>Acquisition value</b>								
Balance at the end of 2010	152,594	398,499	21,084	574	23	6,625	<b>579,399</b>	10,224
Acquisitions	808	13,581	182			5,645	<b>20,216</b>	84
Disposals	-989	-9,509	-605	-90		-121	<b>-11,314</b>	-146
Other transfers	1,103	2,442	1			-2,888	<b>658</b>	-832
Others								
Effects of changes in foreign currencies	-3,526	-5,217	-578	-21		-285	<b>-9,627</b>	144
Balance at the end of 2011	149,990	399,796	20,084	463	23	8,976	<b>579,332</b>	9,474
<b>Depreciations and impairments</b>								
Balance at the end of 2010	-44,264	-312,626	-17,554	-374	-7	0	<b>-374,825</b>	-1,531
Additions	-4,418	-18,124	-1,096	-60	-1		<b>-23,699</b>	-150
Disposals	511	9,217	569	57			<b>10,354</b>	17
Impairments	131	-609	-232				<b>-710</b>	-4
Other transfers	-458						<b>-458</b>	458
Effects of changes in foreign currencies	394	2,282	490	20			<b>3,186</b>	-25
Balance at the end of 2011	-48,104	-319,860	-17,823	-357	-8	0	<b>-386,152</b>	-1,235
<b>Tangible fixed assets and fixed assets held for sale</b>								
At original cost	149,990	399,796	20,084	463	23	8,976	<b>579,332</b>	9,474
Accumulated depreciations and impairments	-48,104	-319,860	-17,823	-357	-8	0	<b>-386,152</b>	-1,235
<b>Net carrying value</b>	<b>101,886</b>	<b>79,936</b>	<b>2,261</b>	<b>106</b>	<b>15</b>	<b>8,976</b>	<b>193,180</b>	<b>8,239</b>

The Group has no significant commitments regarding the purchase of tangible fixed assets. Tangible fixed assets under construction can be explained as follows:

In thousands of euro	2010	2011
Land and buildings	1,251	1,451
Material, machines and equipment	5,182	7,130
Others	192	395
<b>Total</b>	<b>6,625</b>	<b>8,976</b>

Leased fixed assets consist of vehicles in Russia and machinery in Spain.

The Group has recognized impairments on tangible fixed assets of 0.7 million euro. These impairments mainly relate to land and buildings and tool sets. These impairments have been included within other operating costs.

The fixed assets held for sale mainly relate to non-strategic fixed assets, mainly buildings in Germany and United Kingdom. Necessary measures have been taken in order to place these buildings on the market and sales are expected during 2012.

## 9. Financial fixed assets

In thousands of euro	2010	2011
Shares – not listed	66	66
<b>Total available for sale financial assets</b>	<b>66</b>	<b>66</b>
Financial assets held to maturity	1,244	1,367
<b>Total</b>	<b>1,310</b>	<b>1,433</b>

The financial fixed assets held to maturity relate to instruments held in Germany because of an obligation imposed by the German government for the protection of future employee remuneration against potential insolvency of the employer. At the end of 2011, the total amount paid into a deposit account amounted to 1.4 million euro.

## 10. Long-term receivables

In thousands of euro	2010	2011
Trade receivables	882	1,081
Other receivables	788	331
<b>Total</b>	<b>1,670</b>	<b>1,412</b>

The maturity of such trade receivables ranges from 1 to 3 years.

## 11. Inventories

In thousands of euro	2010	2011
Raw materials (at cost price)	24,191	29,448
Work in process (at cost price)	1,163	2,938
<b>Finished goods</b>		
- at cost price	25,602	29,693
- at net realizable value	24,759	28,685
<b>Trade goods</b>		
- at cost price	15,859	17,218
- at net realizable value	15,058	16,738
<b>Total inventory at cost price or at net realizable value if lower</b>	<b>65,171</b>	<b>77,809</b>

During 2011, a write-down on inventory was booked for a net amount of 196 thousand euro.

These write-downs are shown as marketing, sales and distribution costs.

## 12. Trade receivables

The gross trade receivables and impairments for 2010 and 2011 are presented as follows:

In thousands of euro	2010	2011
Gross trade receivables	120,977	112,566
Impairments	13,358	13,339
<b>Net trade receivables</b>	<b>107,619</b>	<b>99,227</b>

The decrease in gross outstanding trade receivables is explained by the decrease of the volumes sold. The factoring cost for 2011 amounts to 648 thousand euro (2010: 453 thousand euro). The effect of the factoring agreement is shown as a decrease in trade receivables in the consolidated cash flow statement.

The gross trade receivables consist of invoiced sales, an accrual for invoices to be issued, an accrual for credit notes to be received, exchange rate differences and advance payments made.

An analysis is provided below, which shows the aging of gross outstanding trade receivables and loans granted to Customers, after deduction of impairments on those amounts:

In thousands of euro	Net carrying value on 31 December 2010	For which no impairment is recorded and which is not overdue	Of which is overdue, but for which no impairment has been recorded				
			Less than 30 days overdue	Between 31 and 60 days overdue	Between 61 and 90 days overdue	Between 91 and 120 days overdue	More than 120 days overdue
Trade receivables	107,372	84,135	10,693	3,944	1,230	574	6,796
Loans to Customers	247	236	7	7	0	0	-3
<b>Total</b>	<b>107,619</b>	<b>84,371</b>	<b>10,700</b>	<b>3,951</b>	<b>1,230</b>	<b>574</b>	<b>6,793</b>

In thousands of euro	Net carrying value on 31 December 2011	For which no impairment is recorded and which is not overdue	Of which is overdue, but for which no impairment has been recorded				
			Less than 30 days overdue	Between 31 and 60 days overdue	Between 61 and 90 days overdue	Between 91 and 120 days overdue	More than 120 days overdue
Trade receivables	99,227	79,702	8,792	3,462	1,106	632	5,533
Loans to Customers	0	0	0	0	0	0	0
<b>Total</b>	<b>99,227</b>	<b>79,702</b>	<b>8,792</b>	<b>3,462</b>	<b>1,106</b>	<b>632</b>	<b>5,533</b>

As per December 2011 an amount of 13,339 thousand euro was recognized as an impairment on trade receivables and loans to Customers.

The movements during the last 2 financial years are presented in the following table:

In thousands of euro	2010	2011
Impairment as per 1 January	11,216	13,358
Increase	6,991	3,785
Reversal	-3,675	-1,499
Utilization	-1,334	-1,343
Effect of change in foreign currency	160	-962
<b>Impairment as per 31 December</b>	<b>13,358</b>	<b>13,339</b>

### 13. Cash and cash equivalents

In thousands of euro	2010	2011
Cash and current bank accounts	26,689	19,344
Short term deposits	17,167	5,099
<b>Total</b>	<b>43,856</b>	<b>24,443</b>

### 14. Issued capital and reserves

#### Issued capital

In thousands of euro	2010		2011	
	Number of shares	Issued capital	Number of shares	Issued capital
Balance per 1 January	107,750,000	42,495	107,750,000	42,495
Rights issue	0	0	0	0
<b>Balance per 31 December</b>	<b>107,750,000</b>	<b>42,495</b>	<b>107,750,000</b>	<b>42,495</b>

Capital is set at 42,495 thousand euro and is composed of 107,750 thousand shares without a nominal value.

#### Share premiums

In thousands of euro	2010	2011
Balance per 1 January	46,355	46,355
Rights issue	0	0
Expenses related to the rights issue	0	0
<b>Balance per 31 December</b>	<b>46,355</b>	<b>46,355</b>

## Treasury shares

In thousands of euro	2010		2011	
	Number of shares	Treasury shares	Number of shares	Treasury shares
Balance per 1 January	217,121	-651	217,121	-651
Sale of preferential rights for treasury shares	0	0	0	0
Revaluation treasury shares	0	0	0	390
<b>Balance per 31 December</b>	<b>217,121</b>	<b>-651</b>	<b>217,121</b>	<b>-261</b>

On 31 December 2011, the Group held 217,121 treasury shares to fulfil its commitments with respect to stock option plans.

## Currency translation adjustments

Currency translation adjustments include all exchange rate differences resulting from the conversion of the financial statements of subsidiaries into euro. In 2011 there was a negative impact of 12,386 thousand euro. The total currency translation adjustments amount to -31,520 thousand euro at 31 December 2011.

## 15. Provisions for post-employment employee benefits

In thousands of euro	Inoutic/Deceuninck GmbH (Germany)	Belgian subsidiaries	Other	Total
Balance at the end of the previous financial year	7,333	3,756	1,097	12,186
Increase of provision	628	337	237	1,202
Reversals/use of provision	-427	-163	-82	-672
Effects of changes in foreign currencies			-164	-164
<b>Balance at the end of the financial year</b>	<b>7,534</b>	<b>3,930</b>	<b>1,088</b>	<b>12,552</b>
Non-current	7,084	3,763	1,088	11,935
Current	450	167	0	617

### Defined contributions plans

The Group pays contributions to certain insurance companies for defined contribution plans. Besides those contributions, the Group has no other payment obligations to these insurance companies. The pension contributions are included in the income statement during the year in which they are due and amount to 1,547 thousand euro for 2011 (2010: 1,488 thousand euro).

### Defined benefit plans and other post employment benefits

#### Belgian subsidiaries

For Belgian companies, the provisions for post-employment benefits relate to the early retirement obligation.

This plan is available for all early-retired employees when in conformity with the current collective labour agreement (CLA).

In accordance with IFRS, the actuarial present value of the defined pension benefits must be calculated, as that value represents the total of the amounts that can currently be allocated to each participant in the plan. As a result the pension liabilities increased by 337 thousand euro during 2011.

The legal minimal return in Belgium for defined contribution plans is 3.25%.

The Group has its contribution pension plan with fixed return transferred to an external insurance company. The minimal return requirement is not transferred to the insurance company. At 31 December 2011 there was no deficit.

The early retirement obligation is not financed and is considered to be a constructive obligation. The actuarial present value was calculated based on the following assumptions:

Pension plan for Belgian subsidiaries		
	2010	2011
Discount rate	5.00%	4.50%
Increases in compensations – White collar	3.50%	3.50%
Increases in compensations – Blue collar	3.00%	3.00%
Increases in social security	2.00%	2.00%
Increases in pensions	2.25%	2.25%
Inflation	2.00%	2.00%

#### Inoutic/Deceuninck GmbH (Germany)

For Inoutic/Deceuninck GmbH, the provisions for employee benefits refer to the provision for pensions. This plan is available for all employees and is unfunded. There is no legal obligation to offer such a plan to the employees. The actuarial present value was calculated based on the following assumptions:

Pension plan for Inoutic/Deceuninck GmbH (Germany)		
	2010	2011
Discount rate	5.00%	4.80%
Increases in compensations – White collar	3.00%	3.00%
Increases in compensations – Blue collar	3.00%	3.00%
Increases in social security	3.00%	3.00%
Increases in pensions	2.00%	2.00%
Inflation	2.00%	2.00%

#### Other

These provisions for employee benefits refer to local pension regulations.

The table below provides an overview of the net current service costs included in the consolidated income statement, and the amounts recognized in the consolidated balance sheet for the defined pension plan of Inoutic/Deceuninck GmbH and the Belgian subsidiaries:

Components of current service cost 2011	Inoutic/Deceuninck GmbH (Germany)	Belgian subsidiaries	Total
In thousands of euro			
Amortization of net actuarial gains or losses	41	-26	15
Pension costs by service year	163	201	364
Interest costs	424	162	586
<b>Net charges for the period</b>	<b>628</b>	<b>337</b>	<b>965</b>

Movements in net debt booked in the balance sheet	Inoutic / Deceuninck (Germany)	Belgian subsidiaries	Total
In thousands of euro			
Net debt per 1 January	7,333	3,756	11,089
Amortization of net actuarial gains or losses	41	-26	15
Pension costs by service year	163	201	364
Interest costs	424	162	586
Paid (received)	-427	-163	-590
<b>Net debt per 31 December</b>	<b>7,534</b>	<b>3,930</b>	<b>11,464</b>

Financing	Inoutic / Deceuninck (Germany)	Belgian subsidiaries	Total
In thousands of euro			
Defined benefit obligations	9,015	2,518	11,533
Fair value of plan assets			0
Net actuarial gains or losses	-1,481	1,412	-69
<b>Net debt per 31 December</b>	<b>7,534</b>	<b>3,930</b>	<b>11,464</b>



## 16. Provisions

In thousands of euro	Warranty obligation	Claims	Other	Total
<b>Provisions per 31 December 2010</b>	<b>2,175</b>	<b>1,661</b>	<b>10,150</b>	<b>13,986</b>
Increase of provisions	1,695	677	577	2,949
Reversal of unused provisions	-255	-301	-650	-1,206
Provisions utilized during the year	-1,391	-111	-1,894	-3,396
Foreign exchange differences	6	-30	-273	-297
<b>Provisions per 31 December 2011</b>	<b>2,230</b>	<b>1,896</b>	<b>7,910</b>	<b>12,036</b>
Non-current	2,230	993	5,646	8,869
Current	0	903	2,264	3,167

Provisions are recognized for indemnities related to warranties on products sold during the past 10 years, on the basis of experience with repairs and returns. The Group expects that most of the provisions intended to cover warranty obligations will be utilized within a period of 2 to 3 years.

The provisions for claims mainly relate to claims for quality issues of products sold. It is currently not clear when the legal procedures will be concluded and what the outcome will be.

The remaining provisions mainly relate to employee benefits in Inoutic/Deceuninck GmbH. These are provisions for jubilee bonuses, and for a specific German measure enabling German employees to gradually phase out their careers. In view of the nature of these provisions, it is impossible to determine the timing of costs to be incurred. Furthermore other provisions relate, for example, to the provision for an onerous lease contract on a warehouse in Wroclaw (Poland).

- A Credit facility of 16,204,545.64 euro between Ege Profil and Dexia Bank Belgium NV with maturity date in 2013.

An important part of these facilities was already paid back at the capital increase in October 2009 and in the course of 2010.

During 2011, the outstanding amounts of above mentioned credit agreements were further reduced:

- Credit facility with the consortium of Belgian banks: repayment of 9.1 million euro on 14 January 2011 and 0.2 million euro on 11 April 2011;
- Note purchase agreement with institutional investors: repayment of 10.9 million US dollar and 3.6 million euro on 14 January 2011 and 0.2 million US dollar and 0.1 million euro on 14 April 2011;
- Credit agreement between Ege Profil and Dexia Bank Belgium NV: full repayment of the outstanding amount (10.1 million euro) on 11 March 2011.

## 17. Interest bearing debts

In 2011 the Group has been financed through credit facilities provided to the Group in 2009. The main characteristics of these facilities are:

- A Credit facility of 157,046,992 euro with a consortium of Belgian banks with maturity date in 2013;
- Private placement (Note Purchase agreement) of 85,784,042 US dollar and 28,258,272 euro with institutional investors with maturity date in 2014;

After the balance sheet date (on 25 January 2012) the outstanding long-term debt was further reduced:

- Credit facility with consortium of Belgian banks: repayment of 2.4 million euro;
- Note purchase agreement with institutional investors: repayment of 2.9 million US dollar and 1.0 million euro.

The following tables provide an overview of the interest-bearing debts of the Group at the balance sheet date:

Long-term debts (in thousands of euro)	2010	2011
Loans from financial institutions and institutional investors	93,437	93,331
Financial leasing	114	30
<b>Total</b>	<b>93,551</b>	<b>93,361</b>

Short-term debts (in thousands of euro)	2010	2011
Loans from financial institutions and institutional investors	50,455	32,363
Short-term financing	588	514
Financial leasing	11	30
<b>Total</b>	<b>51,054</b>	<b>32,907</b>

Financial leasing debts In thousands of euro	2010			2011		
	Repayments	Interest	Capital	Repayments	Interest	Capital
Less than 1 year	22	11	11	32	2	30
Between 1 and 5 years	123	9	114	31	1	30
More than 5 years	0	0	0	0	0	0
<b>Total</b>	<b>145</b>	<b>20</b>	<b>125</b>	<b>63</b>	<b>3</b>	<b>60</b>

Terms and maturity profile (original maturity)										
In thousands of euro	< 1 year		1-2 years		2-5 years		> 5 years		Total	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Loans from financial institutions and institutional investors	50,455	32,363	3,854	23,907	89,583	69,424	0	0	143,892	125,694
Financial leasing	11	30	72	30	42	0	0	0	125	60
Short-term financing	588	514	0	0	0	0	0	0	588	514
<b>Total</b>	<b>51,054</b>	<b>32,907</b>	<b>3,926</b>	<b>23,937</b>	<b>89,625</b>	<b>69,424</b>	<b>0</b>	<b>0</b>	<b>144,604</b>	<b>126,268</b>

The following table provides an overview of the interest rates and maturity dates of the outstanding financial debt as per 31 December 2011:

Loans	Interest rate	Maturity date	Long-term debts In thousands of euro	Short-term debt In thousands of euro
PRIVATE PLACEMENT A1 – USD	6.38%	2014	33,149	
PRIVATE PLACEMENT A2 – USD	8.25%	2014	15,563	2,254
PRIVATE PLACEMENT B1 – EUR	6.40%	2014	14,129	
PRIVATE PLACEMENT B2 – EUR	7.91%	2014	6,583	954
EUR LOAN WITH VARIABLE INTEREST RATE	EURIBOR + 5.00%	2013	16,307	2,362
EUR LOAN WITH FIXED INTEREST RATE	4.10%	2013	7,600	
EUR LOAN WITH VARIABLE INTEREST RATE	EONIA + 3.50%	2012		36
TRY LOAN WITH FIXED INTEREST RATE	13.20%	2012		514
TRY LOAN WITH FIXED INTEREST RATE	8.90%	2012		4,092
TRY LOAN WITH FIXED INTEREST RATE	11.00%	2012		4,092
TRY LOAN WITH FIXED INTEREST RATE	11.00%	2012		4,092
TRY LOAN WITH FIXED INTEREST RATE	11.75%	2012		2,046
TRY LOAN WITH FIXED INTEREST RATE	12.50%	2012		4,092
TRY LOAN WITH FIXED INTEREST RATE	7.75%	2012		1,023
TRY LOAN WITH FIXED INTEREST RATE	7.55%	2012		1,023
TRY LOAN WITH FIXED INTEREST RATE	7.75%	2012		2,046
USD LOAN WITH FIXED INTEREST RATE	5.25%	2012		4,251
<b>TOTAL</b>			<b>93,331</b>	<b>32,877</b>

Unused credit lines amounted to 63.5 million euro as per 31 December 2011.

### Operational leasing

The Group leases mainly vehicles, office equipment and buildings. The total amount paid in 2011 for operational leasing amounts to 4,432 thousand euro. The table below provides an overview of the payments to be made over the coming financial years:

In thousands of euro	2010	2011
Less than 1 year	3,404	3,652
Between 1 and 5 years	4,748	6,433
More than 5 years	8	19
<b>Total</b>	<b>8,160</b>	<b>10,104</b>

## 18. Trade debts and other debts

In thousands of euro	2010	2011
<b>TOTAL TRADE DEBTS</b>	<b>61,656</b>	<b>57,817</b>
Provisions –current	4,925	3,784
Financial instruments – fair value	188	412
Guarantees from Customers	1,570	1,776
Accrued interest	635	1,556
Accrued charges	1,302	1,293
Deferred income	42	366
Other	856	521
<b>TOTAL OTHER DEBTS</b>	<b>9,518</b>	<b>9,708</b>

The conditions for the above mentioned trade debts and other debts are as follows:

- Trade debts do not bear interest and are usually paid on the basis of payment terms that can vary depending on the market. On average, these payment terms fluctuate between 45 and 65 days from the end of the month in which the debt is incurred. In Turkey this can be up to one year after the invoice date.
- For the conditions with regard to the financial instruments, we refer you to Note 23.
- The guarantees from Customers do not bear any interest and are immediately payable, as soon as the contractual obligations of the Customer have been fulfilled.

For an analysis of the current provisions, we refer to Notes 15 and 16.

Trade debts include, besides the invoiced purchases also a provision for invoices to be received, a provision for credit notes to be issued, foreign currency translation differences and advance payments received.

Below is an analysis of the due date of the trade debts:

In thousands of euro	Trade debts - net carrying value	Payable within 90 days	Payable within 91 to 180 days	Payable within 181 to 365 days	Payable later than 1 year
As per 31 December 2010	61,656	54,486	3,907	3,263	0
As per 31 December 2011	57,817	56,075	1,332	410	0

## 19. Share-based payments

The Group offers the possibility to executives, senior management and the CEO to register for stock option- and warrant agreements. The purpose for such a decision is to motivate the executives, senior management and the CEO, by enabling them to acquire shares in the company under relatively advantageous terms, thereby increasing and improving their commitment to the company.

The stock option plans can be detailed as follows:

480,025 options were accepted at the end of December 2011, entitling the holder to one Deceuninck share at a fixed exercise price corresponding to the market price at the moment of the granting of the option. All options relating to the stock option plans granted in 1999, 2000 and 2001 have been exercised, forfeited or expired. From the option plans which can still be exercised, 47,250 options have already been exercised. The options expire if they are not exercised on the last day of the last exercise period. The options can be exercised for the first time after the end of the third calendar year, following the year in which the offer has taken place. The exercise period, relating to the plans of 2003, 2004, 2005 and 2007, has been extended with 5 years in 2009.

Stock option plans Deceuninck NV									
	2002	2003	2004	2005	2007	2008	2009	2010	Total
Exercise price (in euro)	18.65	25.22	22.7	22.81	15.54	2.95	1.36	1.7	
Granted	64,000	64,000	49,000	66,250	70,750	70,750	75,000	75,000	534,750
Accepted	54,250	47,500	35,375	64,250	64,500	64,150	75,000	75,000	480,025
Exercised	-47,250	0	0	0	0	0	0	0	-47,250
Forfeited	-3,500	-8,750	-9,750	-17,500	-19,750	-17,650	0	0	-76,900
Expired	0	0	0	0	0	0	0	0	0
Outstanding	3,500	38,750	25,625	46,750	44,750	46,500	75,000	75,000	355,875
Exercise periods	2006-2012	2007-2013	2008-2014	2009-2015	2011-2017	2012-2018	2013-2019	2014-2020	
Extensions of exercise periods	N/A	2014-2018	2015-2019	2016-2020	2018-2022	N/A	N/A	N/A	

Stock option plans Deceuninck NV										
	2002	2003	2004	2005	2007	2008	2009	2010	Total	Weighted average exercise price
Outstanding 2010	3,500	41,250	28,125	55,000	55,500	55,000	75,000	0	313,375	13.16
Accepted 2011	0	0	0	0	0	0	0	75,000	75,000	1.7
Exercised 2011	0	0	0	0	0	0	0	0	0	N/A
Forfeited 2011	0	-2,500	-2,500	-8,250	-10,750	-8,500	0	0	-32,500	15.39
Expired 2011	0	0	0	0	0	0	0	0	0	N/A
Outstanding 2011	3,500	38,750	25,625	46,750	44,750	46,500	75,000	75,000	355,875	10.54

*The warrant plans can be detailed as follows:*

*1,389,499 warrants have been accepted at the end of December 2011, entitling the holder to one Deceuninck share at a fixed exercise price corresponding with the market price at the moment of the grant date of the warrant. No warrants*

*granted in the warrants plans have been exercised so far. The warrants expire if they have not been exercised at the last day of the last exercise period. The warrants can be exercised for the first time at the end of the third calendar year of the grant.*

Warrant plans Deceuninck NV	2009	2010 I	2010 II	2010 III	Total
Exercise price (in euro)	1.44	1.46	1.48	1.7	
Granted	549,564	285,000	67,435	607,500	1,509,499
Accepted	519,564	240,000	67,435	562,500	1,389,499
Exercised	0	0	0	0	0
Forfeited	-77,000	-60,000	0	-55,000	-192,000
Expired	0	0	0	0	0
Outstanding	442,564	180,000	67,435	507,500	1,197,499
Exercise periods	2013-2019	2013-2019	2013-2019	2014-2020	

Warrant plans Deceuninck NV	2009	2010 I	2010 II	2010 III	Total	Weighted average exercise price
Outstanding 2010	497,564	225,000	67,435	0	789,999	1.45
Accepted 2011	0	0	0	562,500	562,500	1.7
Exercised 2011	0	0	0	0	0	N/A
Forfeited 2011	-55,000	-45,000	0	-55,000	-155,000	1.54
Expired 2011	0	0	0	0	0	N/A
Outstanding 2011	442,564	180,000	67,435	507,500	1,197,499	1.56

The fair value was calculated on the basis of the following assumptions:

Warrant plans Deceuninck NV	2009	2010 I	2010 II	2010 III
Date of granting	01/02/2010	01/03/2010	01/03/2010	01/03/2011
Exercise price (in euro)	1.44	1.46	1.48	1.7
Share price on grant date (in euro)	1.48	1.40	1.40	1.88
Volatility	40%	40%	40%	40%
Risk-free interest	2.55%	2.41%	2.41%	3.51%
Dividend as from 2014 (in euro)	0.03	0.03	0.03	0.03
Early exercised – Minimum gain	25%	25%	25%	25%
Early exercised – Probability to exercise	50%	50%	50%	50%

IFRS 2 has a negative impact of 166 thousand euro on the results of 2011.

Stock option and warrant plans were valued on the basis of the binominal tree structure. Volatility was determined on the basis of historical data.

## 20. Related parties

*During 2011, the Group made purchases valued at 0.16 million euro (0.19 million euro in 2010), under normal market conditions, from companies of which directors of the company held a majority of the shares. These transactions involved purchases relating to dies and equipment, maintenance of machinery, other services and the use of meeting rooms.*

*Total remuneration of members of the Board of Directors in 2011 amounted to 365.500 euro (720.000 euro in 2010). This amount includes additional remunerations granted to directors for their involvement at committees. These remunerations are granted by the General Meeting and are included in general expenses.*

*Directors charged with special missions and projects can receive appropriate remuneration.*

*The members of the Executive Team (situation as of 31 December 2011- CEO not included) received remunerations of 2,092,771 euro, including a variable remuneration in the amount of 348.195 euro.*

*In order to align the interests of the Company and its shareholders with the interests of Executive Team members, part of the remuneration package shall be linked to Company performance and another part to individual performance. By weighing both factors against each other in a responsible manner (85% corporate results/15% individual results) a balance can be achieved between a result-oriented approach (Top Performance) and the manner in which these results are obtained (taking into account the core values: Candor, Top Performance and Entrepreneurship).*

*Options and/or warrants on the shares of the company are granted to executives, senior management and the CEO of which 530,000 were granted to the members of the executive team. These option and warrant plans are not related to the performance of the Group. The Extraordinary General Meeting of October 2006 has approved an option plan on existing shares granting the Board of Directors the authority to allocate 75,000 options on existing shares on a yearly basis.*

*The Board of Directors of 16 December 2011 approved an additional warrant plan 2011 for the issue of 3,000,000 warrants (warrant plan 2011 (II)) of which 787,500 warrants have already been accepted.*

## 21. Services provided by the external auditor

*During 2011 the following charges of the external auditor were included in the Group's income statement:*

*Audit services: 590,050 euro*

*Other audit services: 9,500 euro*

*Tax consulting services: 20,200 euro*

## 22. Going concern

*There are no indicators of circumstances that might question the continuity of the activities.*

## 23. Risk management

*The financial risks for the Group are exchange rate risks, interest rate risks, credit risks and liquidity risks.*

### *Exchange rate risk*

*The important presence of the Group in regions outside the eurozone (Turkey, United States, United Kingdom, Eastern Europe) causes the Group to continuously manage operational exchange rate risks (purchases and sales in foreign currencies). Furthermore, a significant financial exchange rate risk exists within the Group related to external debts held in foreign currencies.*

#### *Recognized assets and liabilities*

*The Group aims to minimize the impact on the profit and loss accounts of foreign exchange risks on the monetary assets and liabilities on the balance sheet. These exchange rate risks are hedged in a natural way ("natural hedging") as much as possible, by offsetting monetary assets in one currency (for example trade receivables) against monetary liabilities (for example trade debts) in the same currency. The remaining exchange rate risk, after the optimization of natural hedging will be secured with financial instruments ("financial hedging") if the cost is considered as reasonable.*

*The most important financial instruments used by the Group for the hedging of foreign exchange rate risks are forward contracts and (either zero cost or non-zero cost) plain-vanilla options.*

*It is the policy of the Group to protect its subsidiaries as much as possible from exchange rate risks, meaning that such risks are primarily managed at Group level. Exchange rate risks at the Turkish subsidiary Ege Profil are followed closely by*

*Corporate Treasury, but are hedged through local banks by the Turkish subsidiary due to the special nature of the Turkish financial markets.*

*The most important operational foreign exchange rate risks at Group level, excluding Turkey, relate to the positions in Pound sterling and Russian rouble. These positions are the result of important sales in the United Kingdom and Russia. In Turkey, important operational foreign exchange rate risks exist in US dollar, due to purchases of raw materials in US dollar, and in euro, as the result of sales in euro.*

*The most important financial exchange rate risks relate to the external debt in US dollar held by Deceuninck NV and the long-term loan in euro of the Turkish subsidiary Ege profil.*

*The following table provides an overview of the existing FX-options as per 31 December 2011. These options were acquired in September 2009 to hedge the part of the external debt in US dollar, that is not naturally hedged by the intercompany loans in US dollar.*

Currency	Amount	Option	Strike	Maturity date	MTM 2010 (in euro)	MTM 2011 (in euro)	In profit and loss during 2011 (in euro)*
USD	13,000,000	Call	1.25	13/09/2013	619,540	630,930	11,390
USD	15,000,000	Call	1.25	13/09/2013	718,731	724,535	5,805
USD	15,000,000	Call	1.25	13/09/2013	708,074	784,504	76,430

(\*) Difference between the MTM 2011 and MTM 2010



The table below provides an overview of the existing currency forward contracts, grouped by currency, at the end of December 2011:

Purchase or sale	Currency	Amount	Maturity Date	MTM 2011 (in euro)
Forward sales	GBP	21,835,000	Q1 2012	-348,636
	RUB	802,300,000	Q1 2012	15,137
	USD	2,400,000	Q1 2012	-63,577
Forward purchases	PLN	34,000,000	Q1 2012	156,110
	USD	1,500,000	Q1 2012	8,929
	USD	5,500,000	Q3 2012	214,342

#### Future transactions

Future transactions imply future purchases and sales that are not recognized as monetary assets or liabilities on the balance sheet. Normally these transactions are not hedged.

Estimated sensitivity for exchange rate fluctuations

As required by IFRS 7, "Financial instruments: Disclosures", a sensitivity analysis was carried out on the evolution of the exchange rates. Based on the volatility of the currencies (compared to the euro in 2011) for which the Group is confronted with an exchange rate risk, we have estimated the possible change of the exchange rates for these currencies compared to the euro as follows:

Sensitivity analysis on the positions in foreign currencies as per 31 December 2011 (*)							
Currency	Amount (In thousands of euro)	Closing rate 31/12/2011	Possible volatility of the exchange rate in % (**)	Rate used for the sensitivity analysis		Effect on revaluation (In thousands of euro)	
USD	-44,156	1.2939	5.61%	1,3665	1,2213	1,813	-2,028
GBP	483	0.8353	3.95%	0,8683	0,8023	-22	24
PLN	-1,446	4.4580	4.81%	4,6724	4,2436	15	-16
CZK	6,270	25.787	2.94%	26,5451	25,0289	-7	7
TRY	-3,272	2.4438	5.44%	2,5767	2,3109	69	-77
RUB	18,207	41.6714	4.30%	43,4633	39,8795	-18	20
<b>Total</b>						<b>1,850</b>	<b>-2,071</b>

(\*) Position after financial hedging (net-exposures)

(\*\*) 3 month volatility

If the euro would have weakened/strengthened during 2011, in line with the above mentioned possible rates, the profit of the financial year would have been about 1.9 million euro higher / 2.1 million euro lower.

#### Interest rate risk

The interest rate risk of the Deceuninck Group mainly results from the fact that a considerable part of the financial debt is borrowed at a variable interest rate. At the end of 2011, 15% of the outstanding financial debt was financed with a variable interest rate. Also additional withdrawals from the available credit facility of 63.5 million euro <sup>(1)</sup> with the consortium of Belgian banks would be subject to a variable interest rate.

In order to hedge against increases of the interest rates in euro, the Group has entered into so called interest-cap agreements in October 2009. These financial instruments protect the Group from increases in the interest rate (Euribor 3 months) above 2.00% and 3.50% respectively.

The following table provides an overview of the existing caps as per 31 December 2011:

Amount	Currency	Rate	Strike	Maturity date	MTM 2010 (in euro)	MTM 2011 (in euro)	In profit and loss during 2011* (in euro)
20,000,000	EUR	Euribor 3M	2.00%	13/09/2013	156,927	6,783	-150,144
10,000,000	EUR	Euribor 3M	2.00%	13/09/2013	82,167	4,191	-77,977
15,000,000	EUR	Euribor 3M	3.50%	13/09/2013	41,865	797	-41,068
10,000,000	EUR	Euribor 3M	3.50%	13/09/2013	29,167	722	-28,445

\* difference between MTM 2011 and MTM 2010

As required by IFRS 7, "Financial instruments: disclosures" a sensitivity analysis was carried out on the evolution of the interest rates. If an increase/decrease by 50 base points were applied on the loans, subject to a variable interest rate per 31 December 2011, the profit before taxes for 2011 would be 94 thousand euro lower/higher.

#### Credit risk

2011 was again experienced by our Customers as a year with difficult economic conditions. This resulted in difficulties to pay within the agreed payment terms. The local credit controllers had to follow closely the payments of our Customers while the total credit risk was monitored by the Group Credit & Risk manager. This is done by a reporting system which is following the credit risk per country and per Customer. The evolution of the Days Sales Outstanding (DSO) and especially the Delinquent Days Sales Outstanding (DDSO) is a good performance indicator of the payment behaviour of our Customers.

Apart from Spain and Turkey, the outstanding trade receivables are insured by credit insurance companies. Till end of 2011, we have a contract with Euler Hermes for the Western European countries and US. We started a market research to evaluate the different players for the renewal of our credit insurance policy. For the Eastern European countries, we have a contract till end of 2012 with the insurance company Delcredere.

For Deceuninck NV, Deceuninck SAS and Inoutic/Deceuninck GmbH, we continued the factoring during 2011.

#### Liquidity risk and risks linked to the outstanding debt

At present the Deceuninck Group holds sufficient cash and cash equivalents and committed credit facilities for the funding of its operating activities.

(1) Total credit facility ("Facility B") of 68.5 million euro, decreased by 5.0 million euro reserved for financial hedging.

*If a loan agreement would be terminated and become payable immediately as a result of non-compliance with the financial covenants stipulated in the loan agreements, Deceuninck would be confronted with liquidity problems.*

*In order to detect possible non-compliance with these financial covenants in an early stage and enabling corrective measures, a monthly financial forecast is prepared until the end of the current accounting year. The key figures of this financial forecast are used as input for a specially designed "covenant module" which tests if the covenants will be respected within the current accounting year. In addition, the budget of 2012 was processed in the "covenant module" to verify if the covenants will be met at every test date in 2012. No issues have been identified.*

*In order to detect possible deteriorations in its liquidity position at an early stage the Group prepares a detailed cash flow forecast every two weeks for the next 13 weeks.*

*Following financial covenants will be applicable in 2012:*

- (i) A limitation on the annual capital expenditure of the Group of maximum 21 million euro in 2009 and 2010 and maximum 31.5 million euro in 2011 and 2012;*
- (ii) A minimum tangible net worth of the Group (i.e. the difference between the total assets, excluding goodwill and other intangible assets, and liabilities): phased minimum levels at different semi-annual test dates between 31 December 2010 (100.1 million euro) and 31 December 2013 (68 million euro);*
- (iii) A cash flow cover for the Restricted Group (which reflects the ratio of cash flow compared to debt service): phased minimum levels at different test dates per quarter as of 30 September 2010 (0.21x) until 31 December 2013 (1.00x);*
- (iv) An interest coverage for the Restricted Group (which reflects the ratio of EBITDA to the financial charges of the Restricted Group): phased minimum levels at different test dates per quarter as of 30 September 2010 (1.50x) until 31 December 2013 (4.68x);*

- (v) Gross leverage for the Restricted Group (which reflects the ratio of gross debt, including undrawn facilities, to the EBITDA of the Restricted Group): phased maximum levels at different test dates per quarter as of 30 September 2010 (14.36x) until 31 December 2013 (4.79x).*

*If Deceuninck NV would grant loans within the intragroup Credit Facility Agreement to the Turkish subsidiary Ege Profil and as long as such loans are outstanding, or if Deceuninck NV would issue comfort letters to support financing from local banks towards the Turkish subsidiary Ege Profil, the following financial covenants will also apply to the Turkish subsidiaries:*

- (i) A minimal tangible net worth of the Turkish subsidiaries (i.e. the difference between the total assets, excluding goodwill and other intangible assets, and liabilities): phased minimum levels at different semi-annual test dates between 31 December 2009 (27.4 million euro) and 31 December 2013 (21.4 million euro);*
- (ii) A minimal EBITDA for the last 12 months: phased minimum levels at 3.2 million euro (March 2011) up to 8.7 million euro (December 2013).*

*In addition to the above mentioned risk of non-compliance with the financial covenants, the liquidity risk is also linked to the evolution of the working capital of the Group, which is highly subject to seasonal fluctuations and the capital expenditure level of the Group.*

A comparison is provided below between the net carrying value and the fair value of financial instruments, which have been included in the financial statements. The fair value of the loans was calculated by defining the expected future cash flows, and by discounting these on common, accepted interest rates

In thousands of euro	Net carrying value 2010	Fair value 2010
<b>Financial assets</b>		
Cash and cash equivalents	43,856	43,856
Loans	882	882
Financial assets available for sale	1,310	1,310
Derivative financial instruments	3,064	3,064
<b>Financial debts</b>		
Loans with a variable interest rate	47,498	47,498
Loans with a fixed interest rate	96,983	100,235
Financial leasing and other loans	124	124
Derivative financial instruments	188	188

In thousands of euro	Net carrying value 2011	Fair value 2011
<b>Financial assets</b>		
Cash and cash equivalents	24,443	24,443
Loans	1,081	1,081
Financial assets available for sale	1,433	1,433
Derivative financial instruments	2,537	2,537
<b>Financial debts</b>		
Loans with a variable interest rate	18,706	18,706
Loans with a fixed interest rate	107,503	110,913
Financial leasing and other loans	60	60
Derivative financial instruments	412	412

#### *Hierarchical classification of fair value*

The Group uses the following hierarchical classification in determining and explaining the fair value of financial instruments by valuation technique:

Level 1: quoted (not adjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

During the reporting period ending 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

As per 31 December 2011 the Group has the following financial instruments:

In thousands of euro	31/12/2011	Level 1	Level 2	Level 3
Assets at fair value				
- FX-options	2,140		2,140	
- Interest options (cap)	12		12	
- FX Forward contracts	395		395	
Liabilities at fair value				
- FX Forward contracts	412		412	

#### *Equity management*

The objective of the Group, with regard to the management of equity, is to maintain a healthy financial position and a healthy debt position, in order to maintain an easy access to the financial markets at any moment.

## 24. Events after the balance sheet

As per 25 January 2012 the Group has accelerated the repayment of 5.6 million euro of long-term loans to its lenders.

No other significant events after the balance sheet date have occurred.

## 25. Government grants

In thousands of euro	2010	2011
Balance per 1 January	1,000	500
Granted during the year	0	0
Revision during the year	-500	0
Recognized in profit and loss during the year	0	0
<b>Balance per 31 December</b>	<b>500</b>	<b>500</b>

The government grants are received for the funding of training programs for employees. At the end of the year there were no unfulfilled conditions or insecurities relating to these government grants.

## 26. Significant subsidiaries

All the subsidiaries are 100% owned, except for Ege Profil AS (97.54%) and Deceuninck (Thailand) Co. Ltd. (74%). All financial periods close on 31 December 2011.

Name of the company	Registered office	Ownership percentage
<b>AUSTRALIA</b>		
Deceuninck Pty. Ltd.	142 Freight Drive Somerton 3062 Victoria	100.00
<b>BELGIUM</b>		
Deceuninck NV	Brugsesteenweg 374 8800 Roeselare	100.00
Plastics Deceuninck NV	Brugsesteenweg 374 8800 Roeselare	100.00
Deceuninck Coordination Center NV (in liquidation)	Bruggesteeweg 164 8830 Hoogdele- Gits	100.00
Detajoint NV (in liquidation)	Bruggesteeweg 164 8830 Hoogdele- Gits	100.00
<b>BOSNIA AND HERZEGOVINA</b>		
Inoutic / Deceuninck d.o.o	Prvi mart bb 75270 Zivinice	100.00
<b>BULGARIA</b>		
Deceuninck Bulgaria EOOD	41 Sankt Peterburg Blvd 4000 Plovdiv	100.00
<b>CHINA</b>		
Rep. Office Deceuninck NV China (Qingdao)	128 Xiang Gang Dong Lu 5 huang Long Yuan 3-2 -402 266071 Laoshan, Qingdao, Shandong	100.00
<b>CROATIA</b>		
Inoutic / Deceuninck d.o.o.	Industrijska ulica 3 10370 Dugo Selo (Zagreb)	100.00
<b>CZECH REPUBLIC</b>		
Deceuninck spol. s r.o.	Vintrovna 23 664 41 Popůvky	100.00

Name of the company	Registered office	Ownership percentage
<b>FRANCE</b>		
Deceuninck SAS	Zone Industrielle - Impasse des Bleuets 80700 Roye	100.00
<b>GERMANY</b>		
Inoutic/Deceuninck GmbH	Bayerwaldstrasse 18 94327 Bogen	100.00
Deceuninck Holding Germany GmbH	Bayerwaldstrasse 18 94327 Bogen	100.00
<b>IRELAND</b>		
Deceuninck Ireland Unltd.	4th floor 25-28 Adelaide Road Dublin 2	100.00
<b>ITALY</b>		
Deceuninck Italia S.r.l.	Piazza della Concordia, 6 56025 Pontedera	100.00
<b>KAZAKHSTAN</b>		
Rep. Office Deceuninck NV Kazakhstan (Almaty)	Mynbaeva street 46 480057 Almaty	100.00
<b>LITHUANIA</b>		
Deceuninck Baltic UAB	Saltoniskiu str. 29/3 08105 Vilnius	100.00
<b>POLAND</b>		
Deceuninck Polska Sp. Z o.o.	Jasin, Ul Poznanska 34 62-020 Swarzedz	100.00
Profil System Sp. Z o.o. (in liquidation)	Jasin, Ul Poznanska 34 62-020 Swarzedz	100.00
<b>UKRAINE</b>		
Rep. Office Deceuninck NV Ukraine	Forum business city 13 Pimonenko street, office 6a/28 04050 Kiev	100.00
<b>ROMANIA</b>		
Deceuninck Romania SRL	Traian Str. n°2, Bloc F1, Scara 4 etaj 8 ap 24 Sector 3 Bucharest	100.00

Name of the company	Registered office	Ownership percentage
<b>RUSSIA</b>		
Deceuninck Rus OOO	Profsoyusnaya, 65, bld. 1 117342 Moscow	100.00
<b>SERBIA</b>		
Inoutic / Deceuninck d.o.o.	Kruzni put bb 11309 Beograd – Lestane	100.00
<b>SPAIN</b>		
Deceuninck NV Sucursal en España	Avda. de la Industria 1007 Pol. Ind. Antonio del Rincon 45222 Borox Toledo	100.00
<b>THAILAND</b>		
Deceuninck (Thailand) Co. Ltd.	2/3 Bangna Tower A 17fl RM #1704B Moo14, Bangna- trad, Km 6,5 Bangkaew, bangplee Samutprakarn 10540	74.00
Asia Profile Holding Co. Ltd.	2/3 Bangna Tower A 17fl RM #1704B Moo14, Bangna- trad, Km 6,5 Bangkaew, bangplee Samutprakarn 10540	100.00
<b>THE NETHERLANDS</b>		
Deceuninck Kunststof BV	Prins Bernhardplein 200 1097 JB Amsterdam	100.00
Deceuninck Beheer BV	Prins Bernhardplein 200 1097 JB Amsterdam	100.00
<b>TURKEY</b>		
Ege Profil Ticaret ve Sanayi AS	A.O.S.B. 10003 Sokak No:5 35620 Cigli – Izmir	97.54
Ege Pen AS	A.O.S.B. 10003 Sokak No:5 35620 Cigli – Izmir	100.00
<b>UNITED KINGDOM</b>		
Deceuninck Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00



Name of the company	Registered office	Ownership percentage
Status Systems PVCu Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
Range Valley Extrusions Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
Deceuninck Holdings (UK) Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
<b>UNITED STATES</b>		
Deceuninck North America Inc.	351 North Garver Road Monroe, 45050 Ohio	100.00
Deceuninck North America LLC	351 North Garver Road Monroe, 45050 Ohio	100.00

## 27. Guarantees and securities

*Within the framework of the financial restructuring, the obligations of the Group under the credit agreement are covered by guarantees and securities pledged on a large portion of the assets of the Group. These securities will exist until the final repayment date of the loans.*

*The most important securities provided by the Belgian legal entities can be detailed as follows:*

- *Deceuninck NV:*
  - *A mortgage on real estate for an amount of 64,470,000 euro;*
  - *A mortgage mandate relating to real estate for an amount of 12,904,500 euro;*
  - *A pledge on the business for an amount of 42,000,000 euro;*
  - *A pledge mandate on the business for an amount of 21,000,000 euro;*
  - *A pledge on receivables and bank accounts;*
  - *A pledge on shares in Deceuninck Coordination Center NV (in liquidation).*
- *Deceuninck Coordination Center NV (in liquidation): a pledge on receivables and bank accounts.*

*The other companies in the Group mainly issued securities over their real estate, receivables and bank accounts, inventory, machinery and other equipment and the shares they hold in other entities within the Group. In addition, there is a security over the material intellectual property rights. The Group also pledged the shares in Ege Profil. The Turkish subsidiaries did not issue guarantees or securities in relation to the financial restructuring.*

## DECEUNINCK NV

The following pages are extracts from the annual report and financial statements of Deceuninck NV. The complete version of the financial statements and the annual report will be available on request and via the Deceuninck website, at the times stipulated by the Belgian Code on Companies. The annual financial statements and the annual report are prepared in accordance with Belgian legal requirements, which differ considerably from the IFRS accounting principles that are applied to the consolidated financial statements. The External Auditor has issued an unqualified opinion regarding the annual financial statements of Deceuninck NV.

## Results

The net result for the financial year 2011 is presented below:

In thousands of euro	2010	2011
Operating revenues	222,551	205,638
Operating costs	-209,825	-195,148
Operating profit (+) / loss (-)	12,726	10,490
Financial income	10,335	10,964
Financial costs	-32,617	-32,680
Profit (+) / loss (-) from ordinary operations before taxes	-9,556	-11,226
Extraordinary income	975	58,767
Extraordinary costs	-480	-299
Profit (+) / loss (-) for the financial year	-9,061	47,242
Transfer from deferred taxes	323	51
Income tax	-68	-153
Profit (+) / loss (-) for the financial year	-8,806	47,140
Transfer from tax-free reserves	629	100
<b>Profit (+) / loss (-) for the financial year available for appropriation</b>	<b>-8,177</b>	<b>47,240</b>

The decrease in operating revenues by 16.91 million euro is mainly explained by a decrease in sales by 9.45%. The increase in sales in the Benelux and Italy is in contrast with the decrease of the business in Spain. Operating expenses decreased by 14.68 million euro.

The extraordinary income can be explained by a liquidation bonus received from Fin-Tonic NV, relating to the liquidation of this company, and by an advance on liquidation bonus received from Deceuninck Coordination Center NV (in liquidation).

The 2011 financial year closed with a net profit of 47.24 million euro, compared to a loss of 8.18 million euro last year.

## Balance sheet

In thousands of euro	2010	2011
Formation expenses	3,163	2,338
Intangible fixed assets	1,963	1,269
Tangible fixed assets	27,959	27,089
Financial fixed assets	370,080	144,019
<b>Non-current assets</b>	<b>403,165</b>	<b>174,715</b>
Inventories	20,210	20,619
Trade receivables	68,600	66,671
Other receivables	32,379	32,927
Cash and cash equivalents	2,188	6,973
Other current assets	1,182	1,654
<b>Current assets</b>	<b>124,559</b>	<b>128,844</b>
<b>TOTAL ASSETS</b>	<b>527,724</b>	<b>303,559</b>
Issued capital	42,495	42,495
Share premiums	50,480	50,480
Reserves	11,741	12,695
Retainend earnings	-26,166	20,020
Investment grants	500	500
<b>Equity</b>	<b>79,050</b>	<b>126,190</b>
<b>Provisions and deferred taxes</b>	<b>2,123</b>	<b>1,882</b>
Non-current debts	87,441	81,176
Current debts	356,172	90,448
Other liabilities	2,938	3,863
<b>Liabilities</b>	<b>446,551</b>	<b>175,487</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>527,724</b>	<b>303,559</b>

The most important fluctuations are:

- Decrease of financial fixed assets due to the decrease of participations relating to the liquidation of Fin-Tonic NV and to the advance on liquidation bonus received from Deceuninck Coordination Center NV (in liquidation) ;
- Increase of equity due to the appropriation of the net profit of the year of 47.24 million euro;
- Decrease of debts due to an decrease of debts with affiliated companies.

## Change in control

*In accordance with article 556 of the Belgian Code on Companies, the Extraordinary General Meeting of Shareholders of 26 June 2009 approved all stipulations that grant rights to third parties that encroach on the assets of the Company or that give rise to a debt or commitment for which the Company is financially liable, where the exercise of these rights depends on a public offer on the shares of the Company or a change in control over the Company (the Regulations with regard to the Change in control), foreseen in the financial agreements of 11 September 2009 in respect to the debt restructuring of the Company, in particular, (i) the credit facility for the debt refinancing with Dexia Bank Belgium NV/SA, ABN Amro Bank NV – Brussels branch, Fortis Bank SA/NV, ING Belgium NV and KBC Bank NV and/or the affiliated companies of these financial institutions and (ii) the Note Purchase Agreement relating to the changes to the notes issued by the Company, and (iii) all other documents which are linked to the agreements described in (i) and (ii).*

## EXTERNAL AUDITOR'S REPORT

### Statutory auditor's report to the general meeting of shareholders of Deceuninck nv on the consolidated financial statements for the year ended 31 december 2011

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

### Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Deceuninck NV and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 443.734 thousand and the consolidated statement of income shows a profit for the year, share of the Group, of € 6.210 thousand.

#### **Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes:

designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Responsibility of the statutory auditor**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Group's officials the explanations and information necessary for executing our audit procedures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2011 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### **Additional comments**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters

disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 28 March 2012

Ernst & Young Bedrijfsrevisoren bcvba  
Statutory auditor  
represented by

Jan De Luyck  
Partner

Ref: 12JDU0070

## *DECLARATION WITH REGARD TO THE INFORMATION GIVEN IN THIS ANNUAL REPORT*

The undersigned declare that:

- The annual financial statements have been prepared in conformity with the applicable standards for financial statements, and that they give a fair view of equity position, of the financial condition and of the results of the reporting Company, including those companies that have been included in the consolidated figures.
- That the annual report gives a true overview of the developments and results of the reporting Company and of companies that have been included in the consolidated figures, also providing a true description of the most important risks and insecurities with which it is confronted, as defined in the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

The Board of Directors

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## GLOSSARY

1	REBITDA	Recurring earnings before interest, taxes, depreciation, amortization and provisions for liabilities and charges = recurring operating cash flow
2	EBITDA	Earnings before interest, taxes, depreciation, amortization and provisions for liabilities and charges = operating cash flow
3	EBITA	Earnings before interest, taxes and amortization
4	EBIT	Earnings before interest and taxes = operational result
5	EBT	Earnings before taxes
6	EPS (non-diluted)	(Non-diluted) earnings per share
7	EPS (diluted)	(Diluted) earnings per share
8	Net debt	Financial debts – cash and cash equivalents
9	Working capital	Trade receivables + inventories – trade debts
10	Liquidity	Current assets/current liabilities
11	ROCE = EBIT/Capital Employed (CE)	Return on capital employed
12	Capital employed (CE)	The sum of goodwill, intangible, tangible and financial fixed assets and working capital
13	Subsidiaries	Companies in which the group owns a participation in excess of 50%
14	Associated companies	Companies in which the group owns a participation between 20-50%, which are valued according to the equity method
15	Gearing	Net debt compared to equity
16	MTM	Marked-to-Market

This annual report is available in dutch and english.  
Dit jaarrapport is verkrijgbaar in het nederlands en het engels.

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